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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 1999 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

(Incorporated in Bermuda with limited liability)

PROPOSAL INVOLVING GENERAL MANDATE TO REPURCHASE SHARES 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 Thursday, 25th May, 2000, at 2:30 p.m. is set out on pages 95 to 97 of the 1999 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.

27th April, 2000

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 Thursday, 25th May, 2000 at 2:30 p.m. notice of which is set out on pages 95 to 97 of the 1999 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
“Latest Practicable Date”	20th April, 2000, 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 Special Administrative Region

LETTER FROM THE CHAIRMAN



COSCO Pacific Limited

(Incorporated in Bermuda with limited liability)

Directors:

CHEN Zhongbiao (*Chairman*)
DONG Jiufeng (*Vice Chairman*)
SHI Qin (*Managing Director*)
YANG Bin
LU Zhiming
LI Jianhong
XU Lirong
KWONG Che Keung, Gordon
WONG Tin Yau, Kelvin
LU Chenggang
QIN Fuyan
LI Kwok Po, David*
LIU Lit Man*
Alexander Reid HAMILTON*
Peter LEE Yip Wah*

Registered office:

Clarendon House
Church Street
Hamilton HM11
Bermuda

Principal place of business:

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

** independent non-executive directors*

27th April, 2000

To shareholders,

Dear Sir or Madam,

PROPOSAL INVOLVING GENERAL MANDATE TO REPURCHASE SHARES OF THE COMPANY

At the annual general meeting of the Company held on 18th May, 1999, a general mandate was given to the Directors to exercise the powers of the Company to repurchase Shares of the Company. Such mandate will lapse at the conclusion of the forthcoming Annual General Meeting to be held on 25th May, 2000. 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 under the Share Repurchase Rules to provide requisite information to you for your consideration of the Repurchase Proposal.

LETTER FROM THE CHAIRMAN

SHARE REPURCHASE RULES

The following is a summary of the principal provisions of the Listing Rules concerning the repurchase by a company of its own securities. For this purpose, the term "Shares" shall be as defined in The Code on Share Repurchases to mean shares of all classes and securities which carry a right to subscribe or purchase shares.

The Share Repurchase Rules permit companies whose primary listing are on the Stock Exchange to repurchase their fully paid up shares on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:—

(a) **Shareholders' Approval**

The Share Repurchase Rules provide that all on-market share repurchases by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of a specific approval in relation to specific transactions or by a general mandate to the directors of the company to make such repurchase.

(b) **Source of Funds**

Repurchase must be made out of funds which are legally available for the purpose and in accordance with the company's constitutive documents and the laws of the jurisdiction in which the company is incorporated or otherwise established.

(c) **Maximum Number of Shares to be Repurchased and Subsequent Issue**

A maximum of 10% of the existing issued share capital of a company at the date of passing the relevant resolution may be repurchased on the Stock Exchange and a company may not, without the prior approval of the Stock Exchange, issue new shares or announce a proposed new issue of shares for a period of 30 days immediately following a share repurchase whether on the Stock Exchange or otherwise (other than an issue of securities pursuant to the exercise of warrants, share options or similar instruments requiring the company to issue securities, which were outstanding prior to the repurchase).

(d) **Trading Restrictions**

All share repurchases on the Stock Exchange in any given calendar month are limited to a maximum of 25% of the trading volume of the company's shares in the immediately preceding calendar month. The Share Repurchase Rules also prohibit a company from making share repurchases on the Stock Exchange if the result of the repurchase would be that less than 25% (or the relevant prescribed minimum percentage for that company as determined by the Stock Exchange at the time of listing) of the issued share capital would be in public hands. A company shall not repurchase its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

LETTER FROM THE CHAIRMAN

(e) Status of Repurchased Shares

The Share Repurchase Rules provide that the listing of all repurchased shares are automatically cancelled and the share certificates must be cancelled and destroyed. Under the Companies Act, the shares repurchased will be treated as cancelled but the aggregate amount of the authorised share capital would not be reduced.

(f) Suspension of Repurchase

The Share Repurchase Rules require any share repurchase programme to be suspended after a price sensitive development has occurred or has been the subject of a decision until the price sensitive information is made publicly available. In particular, during the period of one month immediately preceding either the preliminary announcement of a company's annual results or the publication of a company's interim report a company may not purchase its own shares on the Stock Exchange, unless the circumstances are exceptional. In addition, the Stock Exchange reserves the right to suspend a share repurchase programme on the Stock Exchange if a company breaches the Listing Rules.

(g) Reporting Requirements

Under the Share Repurchase Rules, share repurchases on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 9:30 a.m. on the following business day in the Form G set out in Appendix 5 of the Listing Rules to disclose information on share repurchase including, the total number of shares repurchased by the Company the previous day, the purchase price per share or the highest and lowest prices paid for such repurchase. In addition, the company's annual report is required to disclose information regarding share repurchases made during the year, including the number of shares repurchased each month, the purchase price per share or the highest and lowest purchase price per share and the aggregate price paid. The directors' report is required to contain reference to the repurchases made during the year and the reason for making such repurchases. A company shall procure that any broker appointed by the company to effect the repurchase of shares shall disclose to the Stock Exchange such information with respect to repurchases made on behalf of the company as the Stock Exchange may request.

(h) Connected Parties

The Share Repurchase Rules prohibit a company from knowingly repurchasing shares on the Stock Exchange from a "connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their respective associates (as defined in the Listing Rules) and a connected person is prohibited from knowingly selling his/her shares to the listed company.

LETTER FROM THE CHAIRMAN

SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprised 2,139,228,298 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 213,922,829 Shares.

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 Bermuda. Bermuda law provides 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 an 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, 1999 in the event that 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 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.

LETTER FROM THE CHAIRMAN

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 HK\$	Lowest HK\$
April, 1999	6.050	3.625
May, 1999	5.800	4.475
June, 1999	6.850	4.600
July, 1999	7.950	6.300
August, 1999	7.700	5.950
September, 1999	7.150	6.000
October, 1999	6.250	4.775
November, 1999	7.700	5.300
December, 1999	6.950	6.000
January, 2000	7.000	5.350
February, 2000	5.900	4.400
March, 2000	5.300	4.200

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 (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 has beneficially interest in 1,150,704,411 representing approximately 53.79% of the issued capital of the Company.

LETTER FROM THE CHAIRMAN

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. In the event that the Repurchase Proposal is exercised in full, the number of Shares held by the public would not fall below 25%.

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.

Yours faithfully,
CHEN Zhongbiao
Chairman