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## General Mandate for Repurchases of Shares

The Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") contain provisions to regulate the repurchase by companies with primary listing on the Stock Exchange of their own shares on the Stock Exchange (the "Share Buy Back Rules"). The following is the explanatory statement required to be sent to shareholders under the Listing Rules in connection with the granting to the directors of the Company (the "Directors") of a general mandate (the "Share Repurchase Mandate") to repurchase on the Stock Exchange shares of HK\$0.10 each in the capital of the Company ("Shares"):

### (A) Share Buy Back Rules

Under the Share Buy Back Rules, any repurchase of shares by a company with primary listing on the Stock Exchange has to comply with the following provisions:

#### (a) Shareholders' Approval

All repurchases of shares on the Stock Exchange 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 general mandate or by specific approval in relation to specific transactions.

#### (b) Consideration

A company may not purchase 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.

#### (c) Source of Funds

Repurchases must be funded out of funds which are legally available for the purpose in accordance with the memorandum and articles of association of the Company and the applicable laws of the Cayman Islands. The Companies Law of the Cayman Islands provide that the Shares may be repurchased out of profits of the Company or the proceeds of a fresh issue made for the purpose. The law also permits payment to be made out of capital provided that on the day immediately following the date of repurchase the Company is able to pay its debts as they fall due in the ordinary course of business.

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## *(d) Trading Restrictions*

The total number of shares which a company is authorised to repurchase on the Stock Exchange is such number of shares which represent up to a maximum of 10% of the existing issued share capital of the company as at the date of passing the relevant resolution in respect of granting the general mandate. A company may not, without the prior approval of the Stock Exchange, issue or announce a proposed issue of new shares for a period of 30 days immediately following a repurchase of shares (other than issue of shares on exercise of share options or subscription rights granted or existing prior to the date of the repurchase). In addition, 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. A company is also prohibited from making share repurchases on the Stock Exchange if the repurchase would result in the number of listed shares which are in the hands of the public falling below the relevant prescribed minimum percentage of 25% as required by the Stock Exchange.

## *(e) Status of Repurchased Shares*

The Share Buy Back Rules provide that the listing of all repurchased shares is automatically cancelled upon purchase and the relevant share certificates must be cancelled and destroyed. Under the relevant provisions of the Companies Law of the Cayman Islands, the repurchased shares will be treated as cancelled.

## *(f) Suspension of Repurchases*

The Share Buy Back Rules prohibit a company from purchasing its own shares at any time after a price sensitive development has occurred or has been the subject of decision until the price sensitive information has been publicly announced. In particular, during the period of one month immediately preceding either the preliminary announcement of the company's annual results or publication of the company's interim report, the 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 Buy Back Rules, a company which has made a purchase of its own shares must report to the Stock Exchange not later than 9:30 a.m. (Hong Kong time) on the following business day the total number of shares purchased, the purchase price per share or the highest and lowest prices paid for such purchases. In addition, the company's annual report is required to disclose information regarding share repurchases made during the year, including the monthly breakdown on the number of shares repurchased, the purchase price per share or the highest and lowest prices paid for all such purchase, the aggregate price paid and the director's reasons for making such purchases.

The company shall procure that any broker appointed by the company to effect the repurchases 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 Buy Back 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 and any of its subsidiaries or their respective associates (as defined in the Listing Rules) and a connected person is prohibited from knowingly selling his shares to the company on the Stock Exchange.

## **(B) Proposed Share Repurchase Mandate**

It is proposed, pursuant to the resolution set out in paragraph (B) of item 6 of the notice convening the annual general meeting, that up to 10% of the Shares in issue at the date of the passing of the resolution to approve the Share Repurchase Mandate may be repurchased. As at 22 April 2002, being the latest practicable date prior to the printing of the annual report ("Latest Practicable Date"), the number of Shares in issue was 786,936,000. Accordingly, the exercise of the Share Repurchase Mandate in full (being the repurchase of 10% of the Shares in issue at the date of the passing of the resolution to approve the Share Repurchase Mandate) would enable the Company to repurchase up to a maximum of 78,693,600 Shares (on the basis that no further Shares will be issued, whether as a result of the exercise of any option under the share option scheme adopted by the Company or otherwise, prior to the date of the forthcoming annual general meeting).

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## **(C) Reasons for Repurchases**

The Directors believe that it is in the best interests of the Company and its shareholders for the Directors to have a general authority from shareholders of the Company to repurchase Shares in the market. A repurchase of Shares may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and/or its earnings per Share and will only be made when the Directors believe that such repurchase will benefit the Company and its shareholders.

## **(D) Funding of Repurchases**

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with the applicable laws of the Cayman Islands and the memorandum and articles of association of the Company. The Directors propose that repurchases of Shares under the Share Repurchase Mandate would be financed from the Company's internal resources or existing banking facilities.

## **(E) Impact of Repurchases**

Whilst the Share Repurchase Mandate, if exercised in full, may have a material adverse impact on the working capital or gearing position of the Company, as compared with the position disclosed in the Company's audited financial statements for the year ended 31 December 2001, the Directors do not propose to exercise the mandate to such an extent as would, in the circumstances, have a material adverse impact on the working capital or the gearing position of the Company.

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## (F) Shares Prices

The highest and lowest prices at which Shares have been traded on the Stock Exchange in each of the twelve calendar months preceding the latest practicable date prior to the printing of the annual report are as follows:

	Highest (HK\$)	Lowest (HK\$)
April 2001	1.40	1.23
May 2001	1.50	1.28
June 2001	1.77	1.44
July 2001	1.63	1.35
August 2001	1.46	1.26
September 2001	1.38	0.95
October 2001	1.14	0.99
November 2001	1.17	1.01
December 2001	1.14	0.97
January 2002	1.05	0.97
February 2002	1.06	0.99
March 2002	1.08	1.00

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## (G) General Information

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates have a present intention to sell any Shares held by them to the Company in the event that the Share Repurchase Mandate is granted by the shareholders of the Company.

The Directors have undertaken to the Stock Exchange to exercise the powers of the Company to make repurchases pursuant to the Share Repurchase Mandate in accordance with the Listing Rules, the applicable laws of the Cayman Islands and the memorandum and articles of association of the Company.

If, as a result of a repurchase of Shares, 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 the Hong Kong Code on Takeovers and Mergers ("Takeover Code"). As a result, a shareholder, or a group of shareholders acting in concert (as interpreted under the Takeover Code), depending on the level of such increase, could increase, obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeover Code. As at the Latest Practicable Date, to the best of the knowledge and belief of the Directors, Taiwan Cement Corporation and its associates held approximately 62.9% of the Shares. In the event that the Directors exercise in full the Share Repurchase Mandate in relation to the Shares, the aggregate shareholding of Taiwan Cement Corporation and its associates in the Company would increase to approximately 69.8% of the Shares, and, accordingly, such an increase would not give rise to an obligation on the part of Taiwan Cement Corporation to make a mandatory offer under Rule 26 of the Takeover Code. In addition, the Directors have no intention to exercise the Share Repurchase Mandate to such an extent as will result in the number of Shares in the hands of the public falling below the prescribed minimum aggregate percentage (under the Listing Rules) of 25%.

No connected persons of the Company (as defined in the Listing Rules) have notified the Company of a present intention to sell any Shares to the Company and no such persons have undertaken not to sell any Shares held by them to the Company in the event that the Share Repurchase Mandate is granted by the shareholders of the Company.

Details of repurchases of Shares (whether on the Stock Exchange or otherwise) made by the Company in the six months prior to the date of this explanatory statement are as follows:

	Number of shares repurchased	Highest price HK\$	Lowest price HK\$	Aggregate amount HK\$
October 2001	2,400,000	1.12	1.03	2,568,023
November 2001	1,168,000	1.05	1.02	1,220,340
December 2001	998,000	1.05	0.99	1,007,864
January 2002	1,520,000	1.05	0.97	1,542,746
February 2002	450,000	1.04	1.00	461,676
March 2002	—	—	—	—