



中國稀土控股有限公司

CHINA RARE EARTH HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

## PLACING OF EXISTING SHARES AND SUBSCRIPTION FOR NEW SHARES

YY Holdings Limited (the "Vendor") is the controlling shareholder of China Rare Earth Holdings Limited (the "Company"). The Vendor will place 105,000,000 existing ordinary shares of HK\$0.10 each (each a "Share") of the Company at a price of HK\$1.05 per Share ("Placing"), representing approximately 17.45% of the existing issued share capital of the Company (or approximately 15.63% of the issued share capital as enlarged by the subscription), and will subscribe for 70,000,000 new Shares at a price of HK\$1.05 per Share ("Subscription"), representing approximately 11.63% of the existing issued share capital of the Company (or approximately 10.42% of the issued share capital as enlarged by the subscription).

The existing Shares will be sold to more than six independent professional and institutional investors on a fully underwritten basis subject to termination in certain events.

If the subscription is completed, the net proceeds to the Company of the Placing and the Subscription will be approximately HK\$72,000,000, which will be used substantially to expand the Company's rare earth separating facilities.

The Vendor and parties acting in concert with it currently holds approximately 74.77% of the Company's existing issued share capital. The Placing will reduce the aggregate shareholding of the Vendor and parties acting in concert with it to approximately 57.36% of the Company's existing issued share capital. The subscription will then increase the aggregate shareholding of the Vendor and parties acting in concert with it to approximately 61.81% of the Company's enlarged issued share capital.

The Company requested suspension of trading in the Shares on the Stock Exchange from 10:00 a.m. on 13 November 2000 and will request for resumption of trading in the Shares on the Stock Exchange with effect from 10:00 a.m. on 14 November 2000.

### Principal activities of the Company

Extraction, manufacture and sale of rare earth products and refractory materials.

### Placing Agreement dated 13 November 2000

#### Vendor:

The Vendor is the controlling shareholder of the Company.

It is a private limited company incorporated in the British Virgin Islands held by the trustee of the Jiang family trust, the discretionary object of which is a company wholly owned by Madam Qian Yuanying, the Deputy Chairman and an executive Director of the Company and the wife of Mr Jiang Quanlong, the Chairman and an executive Director of the Company, and her children.

#### Number of Shares to be placed:

105,000,000 Shares which represent approximately 17.45% of the Company's existing issued share capital of 601,830,941 Shares (or approximately 15.63% of the issued share capital as enlarged by the subscription. See below).

#### Placees:

More than six independent professional and institutional investors.

#### Placing price

HK\$1.05 per Share. The placing price is determined after arm's length discussions between the Vendor, the Company and the Placing Agent (as defined below), which represents a discount of approximately 2.78% to the closing price of HK\$1.08 per Share quoted on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 10 November, 2000 and a discount of approximately 0.94% to average closing price of the shares for the last ten trading days of HK\$1.06 per Share from 30 October 2000 to 10 November 2000 (both dates inclusive) immediately prior to this announcement. The directors of the Company are of the view that the Placing and the placing price are in the interest of the shareholders of the Company as a whole.

#### Rights:

The Shares will be sold free of any third party rights.

Buyers will receive all dividends and distributions declared, made or paid after 13 November, 2000.

#### Placing Agent:

CLSA Limited ("CLSA" or the "Placing Agent"). CLSA has fully underwritten the Placing and will receive a placing commission equal to approximately HK\$1,102,500 (or 1% of the aggregate amount of the placing price).

#### Independence of Placees and Placing Agent:

The Placees (and their ultimate beneficiaries) and the Placing Agent, or parties acting in concert with them, are independent of and not connected with the Vendor or the Company, or any person acting in concert with them. They are also independent of and not connected with any of the directors, chief executives, substantial shareholders of the Company or any of its subsidiaries, or an associate of any of them (as such terms are defined in the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange of Hong Kong Limited ("Stock Exchange")).

#### Completion of Placing:

The Placing is unconditional and completion is expected to take place on or before 16 November, 2000 subject to termination in the following events:

"Notwithstanding anything contained in the placing agreement, if at any time on or prior to the Closing Date (being 16 November 2000 or such other date as may be agreed between the parties) :-

(A) in the reasonable opinion of the Placing Agent there shall have been since the date of the placing agreement such a change in national or international financial, political or economic conditions or taxation or exchange controls as would be likely to prejudice materially the consummation of the Placing; or

(B) any material breach of any of the representations and warranties by the Vendor as set out in the placing agreement comes to the knowledge of the Placing Agent or any event occurs or any matter arises on or after the date hereof and prior to the Closing Date which if it had occurred or arisen before the date hereof would have rendered any of such representations and warranties untrue or incorrect in any material respect or there has been a material breach by the Vendor of any other provision of the placing agreement.

then and in any such case, the Placing Agent may after consultation with the Vendor (to the extent that the same is reasonably practicable) terminate the placing agreement without liability to the Vendor by giving notice in writing to the Vendor, provided that such notice is received prior to the Closing Date."

#### Use of proceeds

To be used substantially to expand the Company's rare earth separating facilities.

#### Reasons for the placing and subscription

To raise funding for the operations of the Company and to expand on the shareholders base of the Company.

#### Subscription Agreement dated 13 November 2000

#### Subscriber:

YY Holdings Limited

#### Number of new Shares subscribed for:

70,000,000 new Shares, which represent approximately 11.63% of the Company's existing issued share capital, and approximately 10.42% of its issued share capital as enlarged by the subscription.

#### Subscription price:

HK\$1.05 per Share (being the equivalent of the placing price). The Company will pay the costs and expenses of the Subscription.

#### Mandate to issue new Shares:

The new Shares will be issued under the general mandate granted to the directors of the Company at the extraordinary general meeting held on 27 September 2000, which is unused and is sufficient for the issue of the new Shares pursuant to the Subscription.

#### Ranking:

The new Shares will rank pari passu in all respects among themselves and with all other Shares in issue on the date of the subscription agreement.

#### Conditions of the Subscription:

The Subscription is conditional upon, inter alia,

1. the completion of the Placing pursuant to the placing agreement aforementioned; and
2. the Listing Committee of the Stock Exchange granting listing of and permission to deal in the new Shares;

The conditions must be satisfied within 14 days from the date of the placing agreement (ie on or before 27 November 2000). If the conditions are not fulfilled within the time specified above, the Subscription will lapse.

Application will be made to the Listing Committee of the Stock Exchange for listing of and permission to deal in the new Shares. The Subscription is expected to be completed two business days after the date on which the conditions of the Subscription have been satisfied.

#### Shareholding of the controlling shareholder

The Vendor and parties acting in concert with it currently holds approximately 74.77% of the Company's existing issued share capital. The Placing will reduce the aggregate shareholding of the Vendor and parties acting in concert with it to approximately 57.36% of the Company's existing issued share capital. The Subscription will then increase the aggregate shareholding of the Vendor and parties acting in concert with it to approximately 61.81% of the Company's enlarged issued share capital.

#### Suspension and resumption of trading

The Company requested suspension of trading in the Shares on the Stock Exchange from 10:00 a.m. on 13 November 2000 and will request for resumption of trading in the Shares on the Stock Exchange with effect from 10:00 a.m. on 14 November 2000.

By Order of the Board  
China Rare Earth Holdings Limited  
Jiang Quanlong  
Chairman