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## China Rare Earth Holdings Limited

中國稀土控股有限公司

(Incorporated in the Cayman Islands with limited liability)

**DESPATCH OF CIRCULAR  
IN RESPECT OF  
DISCLOSEABLE AND CONNECTED TRANSACTION  
AND  
INCREASE IN AUTHORISED SHARE CAPITAL  
AND  
PUBLICATION OF CERTAIN FINANCIAL INFORMATION OF THE GROUP**

The Circular, containing, among other matters, details of the Acquisition Agreement, the proposed increase in the authorised share capital of the Company, the financial information on the Group and Dynamic Goal, a letter from the Independent Financial Adviser to the Independent Board Committee, a letter from the Independent Board Committee and the notice convening the EGM will be despatched to the Shareholders on 12 January 2004.

The Circular contains certain financial information which may be of a price-sensitive nature. One of the purposes of this announcement is to provide the market with such information.

**Shareholders and public investors are advised to exercise caution in dealing in the Shares.**

Reference is made to the Company's announcement ("Announcement") dated 19 December 2003 in respect of, among other matters, the Acquisition Agreement and the proposed increase in the authorised share capital of the Company. Terms defined in the Announcement shall have the same meanings when used in this announcement, unless the context requires otherwise.

### DESPATCH OF THE CIRCULAR

A circular ("Circular"), containing, among other matters, details of the Acquisition Agreement, the proposed increase in the authorised share capital of the Company, the financial information on the Group and Dynamic Goal, a letter from the Independent Financial Adviser to the Independent Board Committee, a letter from the Independent Board Committee and the notice convening the EGM will be despatched to the Shareholders on 12 January 2004.

### PUBLICATION OF CERTAIN FINANCIAL INFORMATION OF THE GROUP

The Circular contains certain financial information which may be of a price-sensitive nature. Such information was not available to the market prior to the despatch of the Circular.

### UNPUBLISHED FINANCIAL FIGURES OF THE GROUP FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2003

As set out in the "Letter from the Independent Financial Adviser" contained in the Circular, the unaudited sales and after-tax profits of the Group for the nine months ended 30 September 2003, which are based on the management accounts of the Group for the nine months ended 30 September 2003, amounted to approximately HK\$280 million and HK\$37 million respectively and had the Acquisition been completed on 1 January 2003 and 172.5 million Consideration Shares had been issued, the Group's pro forma after-tax earnings would have been as follow:

	HK\$million
Group's unaudited after-tax profits for 9 months to 30 September 2003	37.0 (HK\$0.045 per Share)
Add: Unaudited after-tax profits of High Temperature Ceramics (adjusted for Hong Kong GAAP) for 9 months to 30 September 2003	15.0
Less: Amortization of goodwill arising from the Acquisition (note)	6.4
Pro forma after-tax profits of the Group for 9 months to 30 September 2003	45.6 (HK\$0.046 per Share)

Note: Amortization of goodwill is calculated as follow:

	HK\$million
Consideration payable for the Acquisition	207.0
Less: Audited net assets (adjusted for Hong Kong GAAP) as at 1 January 2003	37.2
Goodwill on consolidation arising from Acquisition	169.8
Annual amortization of goodwill*	8.5
Amortization of goodwill for 9 months to 30 September 2003	6.4

\* Goodwill is amortized over a period of 20 years under the Company's accounting policy and in accordance with HK GAAP.

The above unaudited financial figures of the Group have not been reviewed by the auditors of the Company.

**Shareholders and public investors are advised to exercise caution in dealing in the Shares.**

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

Hong Kong, 9 January 2004