



CHINA RARE EARTH HOLDINGS LIMITED

中國稀土控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 769)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of CHINA RARE EARTH HOLDINGS LIMITED (“Company”) will be held at Basement II, The Boardroom, The Wharney Hotel, Hong Kong, 57-73 Lockhart Road, Wanchai, Hong Kong at 10:30 a.m. on 4 June 2004 to consider and, if thought fit, transact the following ordinary business:

1. to receive and consider the audited financial statements and the reports of the directors of the Company and the Company’s auditors for the year ended 31 December 2003;
2. to approve the declaration of a final dividend for the year ended 31 December 2003;
3. to re-elect the retiring director and to authorise the board of directors to fix the remuneration of directors;
4. to re-appoint the Company’s auditors and to authorise the board of directors to fix their remuneration;

and, as special business, to consider and, if thought fit, pass the following resolutions as ordinary and/or special resolutions (with or without modifications):

SPECIAL RESOLUTION

5. **“THAT** the articles of association of the Company be and they are altered in the following manner:

- (a) Paragraph (A) of Article 1 be amended by:

- a. deletion of the definition of “associates” and insertion of the following in its place:
““associates”, in relation to any Director, shall have the meaning as ascribed to it in the Listing Rules;”;
- b. insertion of the following definitions immediately before the definition of “month”:
““Hong Kong” shall mean the Hong Kong Special Administrative Region of the People’s Republic of China;” and
““Listing Rules” shall mean the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;”;

- (b) Article 13 be amended by:

- a. deletion of the word “and ” appearing at the end of paragraph (vii);
- b. deletion of paragraph (viii) in its entirety; and
- c. insertion of the following new paragraph immediately after paragraph (vii):

“The Company may apply the share premium account in any manner permitted by the Statutes. The Company shall at all times comply with the provisions of the Statutes in relation to its share premium account.”;

- (c) Article 84 be deleted in its entirety and replaced by the following in its place:

“84. (A) Subject to paragraph (B) of this Article 84, no objection shall be raised to the qualification of any person exercising or purporting to exercise a vote or the admissibility of any vote except at the meeting or adjourned meeting at which the vote objected to is given or tendered, and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection made in due time shall be referred to the Chairman, whose decision shall be final and conclusive.

(B) At all times during the Relevant Period (but not otherwise), where any shareholder is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such shareholder (whether by way of proxy or, as the case may be, corporate representative) in contravention of such requirement or restriction shall not be counted.”;

- (d) Article 107 be amended by:

- a. insertion of the words “or the appointment of any of his associates” immediately after the word “appointment” on the second line in paragraph (D);
- b. insertion of the words “or any of the associate(s) of any such Director(s)” immediately after the word “Directors” on the third line in paragraph (E);
- c. insertion of the words “or, as the case may be, the associate(s) of such Director” immediately after the words “in relation to each Director” on the sixth line in paragraph (E);
- d. insertion of the words “or the appointment of any of his associates” immediately after the words “except that concerning his own appointment” on the eighth line in paragraph (E);
- e. deletion of the words “together with any of” and insertion of the word “and” in their place on the twelfth line in paragraph (E);
- f. insertion of the words “in aggregate” immediately after the words “his associates” on the twelfth line in paragraph (E);
- g. deletion of paragraph (G) in its entirety and insertion of the following in its place:

“(G) If to the knowledge of a Director, he or any of his associates, is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company, he shall declare the nature of his or, as the case may be, his associate(s)’ interest at the meeting of the Directors after he knows that the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest or that of his associate(s) then exists, or in any other case at the first meeting of the Directors after he knows that he or his associate(s) is or has become so interested. For the purposes of this Article, a general notice to the Directors by a Director to the effect that (a) he or his associate(s) is a shareholder of a specified company or firm and is to be regarded as interested in any contract or arrangement which

may after the date of the notice be made with that company or firm or (b) he or his associate(s) is to be regarded as interested in any contract or arrangement which may after the date of the notice be made with a specified person who is connected with him or any of his associate(s), shall be deemed to be a sufficient declaration of interest under this Article in relation to any such contract or arrangement; provided that no such notice shall be effective unless either it is given at a meeting of the Directors or the Director takes reasonable steps to secure that it is brought up and read at the next meeting of the Directors after it is given.”;

- h. deletion of paragraph (H) in its entirety and insertion of the following in its place:

“(H) A Director shall not vote (nor be counted in the quorum) on any resolution of the Directors approving any contract or arrangement or proposal in which he or any of his associate(s) is to his knowledge materially interested, and if he shall do so his vote shall not be counted (nor is he counted in the quorum for that resolution), but this prohibition shall not apply to any of the following matters namely:

- (i) any contract or arrangement for the giving by the Company of any security or indemnity to the Director or his associate(s) in respect of money lent or obligation undertaken by him or any of them at the request of or for the benefit of the Company or any company in which the Company has interest;
- (ii) any contract or arrangement for the giving by the Company of any security or indemnity to a third party in respect of a debt or obligation of the Company or any company in which the Company has interest for which the Director or his associate(s) has himself/ themselves guaranteed or secured or otherwise assumed responsibility in whole or in part and whether alone or jointly under a guarantee or by the giving of security;
- (iii) any contract or arrangement by the Director or his associate(s) to subscribe for shares or debentures or other securities of the Company to be issued pursuant to any offer or invitation to the shareholders or debenture or securities holders of the Company or to the public which does not provide the Director and his associate(s) any privilege not accorded to any other shareholders or debenture or securities holders of the Company or to the public;
- (iv) any contract or arrangement concerning an offer of the shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer and/or for the purposes of making any representations, the giving of any covenants, undertakings or warranties or assuming any other obligations in connection with such offer;
- (v) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their respective interest in shares or debentures or other securities of the Company and/or his/their being the offeror or one of the offerors or is interested in one of the offerors for the purchase or effective acquisition of such shares, debentures or other securities;
- (vi) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly or as an officer or an executive or a shareholder in which the Director or his associate(s) is/are beneficially interested in shares of that company provided that, such Director and any of his associates are not in aggregate beneficially interested in five (5) per cent. or more of the issued shares of any class of the voting equity share capital of such company or of the voting rights of any class of shares of such company (other than shares which carry no voting rights at general meetings and no or nugatory dividend and return of capital rights);
- (vii) any proposal or arrangement for the benefit of employees of the Company or its subsidiaries including the adoption, modification or operation of a pension fund or retirement, death or disability benefit scheme or personal pension plan under which a Director, his associate(s) and employees of the Company or of any of its subsidiaries may benefit and which has been approved by or is subject to and conditional on approval by the relevant taxing authorities for taxation purposes or relates to Directors, associate(s) of Directors and employees of the Company or of any of its subsidiaries and does not give the Director or his associate(s) any privilege not accorded to the class of persons to whom such scheme or fund relates;
- (viii) any proposal concerning the adoption, modification or operation of any employees’ share scheme involving the issue or grant of options over shares or other securities by the Company to, or for the benefit of the employees of the Company or its subsidiaries under which the Director or his associate(s) may benefit; and

- (ix) any contract, transaction or proposal concerning the purchase and/or maintenance of any insurance policy for the benefit of any Director, his associate(s), officer or employee pursuant to these Articles.”;

- i. deletion of paragraph (I) in its entirety and insertion of the following in its place:

“(I) A company shall be deemed to be a company in which a Director and his associates in aggregate own five (5) per cent. or more of any class of the voting equity share capital of such company or of the voting rights of any class of shares of such company if and so long as (but only if and so long as) he and his associates are (either directly or indirectly) the holder of or beneficially interested in five (5) per cent. or more of any class of the issued voting equity share capital of such company (or of any third company, other than the Company or any of its subsidiaries, through which his interest is derived) or of the voting rights of any class of shares of the company. For the purpose of this paragraph there shall be disregarded any shares held by a Director or any of his associate(s) as bare or custodian trustee and in which he or such associate(s) has/have no beneficial interest, any shares comprised in a trust in which the interest of the Director or any of his associates is in reversion or remainder if and so long as some other person is entitled to receive the income thereof, any shares comprised in an authorised unit trust scheme in which the Director or any of his associates is interested only as a unit holder.”;

- j. deletion of the words “together with” and insertion of the word “and” in their place on the fifth line in paragraph (J);
- k. insertion of the words “in aggregate” immediately after the words “his associates” on the fifth line in paragraph (J);
- l. insertion of the words “or any of his associates” immediately after the words “interest of a Director” on the second line in paragraph (K);
- m. insertion of the words “or his associates” immediately after the word “concerned” on the eighth line in paragraph (K) and the word “Chairman” on the fifteenth line in paragraph (K); and
- n. insertion of the words “or any of his associates” immediately after the words “notwithstanding that he” on the fifth line in paragraph (L);

- (e) Article 113 be amended by deletion of the following sentence:

“The latest date for lodgement of such notices will be not more than seven clear days prior to the date of the meeting appointed for such election and the minimum length of the period during which such notices to the Company may be given must be at least seven days.”

and insertion of the following sentence in its place:

“The length of the period for lodgement of such notices must be at least seven days commencing no earlier than the day immediately after the despatch of the notice of the general meeting and ending no later than seven days before the date of such general meeting.”;

- (f) Article 175 be amended by deletion of the word “Accounting” and insertion of the words “Financial Reporting” in its place on the eighth line in paragraph (A).”;

ORDINARY RESOLUTIONS

6. **“THAT** with effect from the close of business of the day on which this resolution is passed, the existing share option scheme (“Existing Scheme”) adopted by the Company pursuant to a written resolution passed by the sole shareholder of the Company on 29 September 1999 (a copy of the Existing Scheme having been produced to the meeting marked “A” and signed by the chairman of the meeting for the purpose of identification) be and it is hereby terminated and cease to have with any further effect save and except that the Existing Scheme will remain in force to the extent necessary to give effect to the exercise of the options granted thereunder prior to termination thereof.”;
7. **“THAT** subject to the passing of resolution numbered 6 and subject also to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (“Stock Exchange”) granting the listing of, and permission to deal in, such number of shares of the Company which may fall to be allotted and issued pursuant to the exercise of the option which may be granted under the rules of the new share option scheme (“New Scheme”), a draft of which is produced to the meeting marked “B” and signed by the chairman of the meeting for the purposes of identification, representing an amount (“General Scheme Limit”) up to 10 per cent. of the issued shares of the Company as at the day on which this resolution is passed, with effect from the close of business of the day on which this resolution is passed, the rules of the New Scheme be approved and adopted and the directors of the Company be and they are hereby authorised: (a) to approve any amendments to the rules of the New Scheme as may be acceptable or not objected to by the Stock Exchange; (b) at their absolute discretion to grant options to subscribe for shares of the Company in accordance with the rules of the New Scheme; (c) to allot, issue and deal with shares of the Company pursuant to the exercise of options granted under the New Scheme provided that the aggregate nominal amount of shares which fall to be allotted and issued pursuant to this authority, together with any issue of shares of the Company upon the exercise of any options granted under any other share option scheme as may from time to time be adopted by the Company or its subsidiaries, shall not exceed the General Scheme Limit; and (d) to take all such steps as may be necessary, desirable or expedient to carry into effect the New Scheme.”;
8. **“THAT:**
 - (a) subject to paragraph (c) below, pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”), the exercise by the directors of the Company during the Relevant Period (as defined in paragraph (d) below) of all the powers of the Company to allot, issue and deal with the unissued

shares (each, a “Share”) of HK\$0.10 each in the capital of the Company and to make or grant offers, agreements and options, including warrants to subscribe for Shares, which might require the exercise of such powers be and the same is hereby generally and unconditionally approved;

- (b) the approval in paragraph (a) above shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted and issued or agreed conditionally or unconditionally to be allotted and issued (whether pursuant to options or otherwise) by the directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue; or (ii) the exercise of any options granted under all share option schemes of the Company adopted from time to time in accordance with the Listing Rules; or (iii) any scrip dividend or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of the Company in force from time to time; or (iv) any issue of Shares upon the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible into Shares shall not exceed the aggregate of:
- (aa) 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this resolution; and
- (bb) (if the directors of the Company are so authorised by a separate ordinary resolution of the shareholders of the Company) the aggregate nominal amount of any share capital of the Company purchased by the Company subsequent to the passing of this resolution (up to a maximum equivalent to 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this resolution),

and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and

- (d) for the purposes of this resolution:
- “Relevant Period” means the period from the date of the passing of this 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 articles of association of the Company or the applicable law of the Cayman Islands to be held; and
- (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the directors of the Company by this resolution;

“Rights Issue” means an offer of Shares, or offer or issue of warrants, options or other securities giving rights to subscribe for Shares open for a period fixed by the directors of the Company to holders of Shares on the Company’s register of members on a fixed record date in proportion to their then holdings of Shares (subject to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction outside Hong Kong or any recognised regulatory body or any stock exchange outside Hong Kong).”;

9. “**THAT:**

- (a) subject to paragraph (b) below, the exercise by the directors of the Company during the Relevant Period (as defined in paragraph (c) below) of all powers of the Company to purchase shares (each, a “Share”) of HK\$0.10 each in the capital of the Company on The Stock Exchange of Hong Kong Limited (“Stock Exchange”), or any other stock exchange on which the Shares may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for such purpose, and otherwise in accordance with the rules and regulations of the Securities and Futures Commission of Hong Kong, the Stock Exchange, the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and all other applicable laws in this regard, be and the same is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of Shares which may be purchased or agreed to be purchased by the Company pursuant to the approval in paragraph (a) during the Relevant Period shall not exceed 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of this resolution and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and
- (c) for the purposes of this resolution, “Relevant Period” means the period from the date of the passing of this 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 articles of association of the Company or the applicable law of the Cayman Islands to be held; and
- (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the directors of the Company by this resolution.”; and

10. “**THAT** conditional on the passing of resolutions numbered 8 and 9 above, the general mandate granted to the directors of the Company pursuant to paragraph (a) of resolution numbered 8 above be and it is hereby extended by the addition to the aggregate nominal amount of the shares which may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to or in accordance with such general mandate of an amount representing the aggregate nominal amount of the share capital of the Company purchased or agreed to be purchased by the Company pursuant to or in accordance with the authority granted under paragraph (a) of resolution numbered 9 above.”

For and on behalf of the Board
China Rare Earth Holdings Limited
Jiang Quanlong
Chairman

Hong Kong, 15 April 2004

Principal Place of Business in Hong Kong:
Room 618, Hutchison House
10 Harcourt Road
Central
Hong Kong

Notes:

1. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, vote in his stead. A proxy need not be a member of the Company.
2. To be valid, the form of proxy together with a power of attorney or other authority, if any, under which it is signed or a notorially certified copy of such power or authority must be deposited at the offices of the Company’s Hong Kong branch share registrar (“Branch Registrar”), Computershare Hong Kong Investor Services Limited at Shops 1901-1905, 19th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 48 hours before the time of the above meeting or any adjourned meeting.
3. In relation to the proposed resolution numbered 2 above, the register of members of the Company will be closed from 1 June 2004 to 4 June 2004, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Branch Registrar by no later than 4:00 p.m. on 31 May 2004.
4. In relation to proposed resolutions numbered 8 and 10 above, approval is being sought from the shareholders for the grant to the directors of a general mandate to authorise the allotment and issue of shares under the Listing Rules. The directors have no immediate plans to issue any new shares of the Company other than shares which may fall to be issued under the share option scheme of the Company or any scrip dividend scheme which may be approved by shareholders.
5. In relation to proposed resolution numbered 9 above, the directors wish to state that they will exercise the powers conferred thereby to purchase shares in circumstances which they deem appropriate for the benefit of the shareholders.
6. Delivery of an instrument appointing a proxy should not preclude a member from attending and voting in person at the above meeting or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.
7. In the case of joint holders of a share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto to if more than one of such joint holders are present at the above meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.