



# ASIA ZIRCONIUM LIMITED

## 亞洲鋳業有限公司\*

(Incorporated in Cayman Islands with limited liability)

(Stock Code : 0395)

### ANNOUNCEMENT

## PLACING OF EXISTING SHARES AND SUBSCRIPTION FOR NEW SHARES

Pursuant to a Placing Agreement entered into among the Vendor, the Company and the Placing Agent, the Vendor has appointed the Placing Agent as its placing agent to place 60,000,000 Shares to independent placees who are independent of each other, not connected with and not acting in concert with the Vendor, Directors, chief executive or substantial shareholders of the Company or its subsidiaries, or any of their respective associates or concert parties at a price of HK\$0.74 per Placing Share. Pursuant to a Subscription Agreement entered into between the Vendor and the Company, the Vendor has conditionally agreed to subscribe for the Subscription Shares (the number of which shall be equivalent to the Placing Shares) at a price of HK\$0.74 per Subscription Share. The Subscription is subject to various conditions set out below under the heading "Conditions of the Subscription".

The price per Placing Share and the price per Subscription Share are identical and represent (i) a discount of approximately 12.00% to the closing price of HK\$0.84 per Share as quoted on the Stock Exchange at 4:00p.m. on 4 January 2007 (being the trading day of the date of the announcement); and (ii) a discount of approximately 12.53% to the average closing price of the Shares for the last five trading days (from 28 December 2006 to 4 January 2007) of HK\$0.846 per Share.

The Placing Shares and the Subscription Shares both represent approximately 11.90% of the existing issued share capital of the Company or approximately 10.64% of the issued share capital of the Company as enlarged by the Subscription.

The Vendor currently holds approximately 59.59% of the Company's existing issued share capital. The Placing will reduce his shareholding to approximately 47.69% of the Company's existing issued share capital and the Subscription will then increase such shareholding to approximately 53.26% of the Company's enlarged issued share capital. An application will be made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Subscription Shares.

The Subscription Shares will be issued under the general mandate granted to the Directors of the Company pursuant to resolutions passed at the annual general meeting of the shareholders held on 19 May 2006.

Assuming that the 60,000,000 Shares are fully placed, the net proceeds from the Subscription will amount to approximately HK\$42,400,000 and are intended by the Company to be used for capacity expansion of zirconium chemical product which includes buying new equipment & machinery, modification and improvement of existing plant, building new capacity of cubic zirconia and construction of plant.

The Company undertakes to the Placing Agent and the Vendor undertakes to the Placing Agent that it will not, and will not procure the Company to issue, offer, lend, sell, contract to sell, pledge or grant any option to purchase or dispose of any Shares or enter into a transaction (including a derivative transaction) having an economic effect similar to the transfer of economic risk of ownership of the Shares for a period of three months from the date of the Placing Agreement.

Further announcement on the number of the Placing Shares actually placed will be made by the Company upon completion of the Placing and the Subscription.

On 4 January 2007, the Vendor, the Company and the Placing Agent entered into the placing agreement (the "**Placing Agreement**") and the Vendor and the Company entered into the subscription agreement (the "**Subscription Agreement**").

#### THE PLACING

##### Vendor

Mr. Yang Xin Min (the "**Vendor**") holds approximately 59.59% of the existing issued share capital of the Company. The Vendor is the Chairman and an executive director of the Company.

##### Number of Shares to be placed

The Placing Agent has agreed to procure on a best effort basis placees for up to 60,000,000 Shares ("**Placing Shares**") and the placing of the Placing Shares, the "**Placing**") owned by the Vendor, which represent approximately 11.90% of the Company's existing issued share capital of 504,170,946 shares of HK\$0.1 each ("**Shares**") or approximately 10.64% of the Company's issued share capital as enlarged by the Subscription mentioned below.

##### Placees

Not less than 6 independent private individual and institutional investors who are independent of each other and not connected with the directors (the "**Directors**"), chief executive or substantial shareholders of the Company or its subsidiaries, or any of their respective associates.

##### Placing price

HK\$0.74 per Placing Share (the "**Placing Price**"). The Placing Price is determined after arm's length negotiation which represents (i) a discount of approximately 12.00% to the closing price of HK\$0.84 per Share as quoted on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 4 January 2007 (being the trading day of the date of the announcement); and (ii) a discount of approximately 12.53% to average closing price of the Shares for the last five trading days (from 28 December 2006 to 4 January 2007) of HK\$0.846 per Share.

##### Rights

The Placing Shares will be sold free of any third party rights and shall be entitled to receive all dividends or other distributions which may be declared, made or paid after the date of completion of the Placing.

##### Placing agent

DBS Asia Capital Limited (the "**Placing Agent**")

##### Independence of placees and Placing Agent

The placees (and their ultimate beneficiaries) or parties acting in concert with any of them, and the Placing Agent are not connected persons (as defined in the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**")) of the Company and are independent of each other, not connected with and not acting in concert with the Vendor or any persons acting in concert with the Vendor. The placees (and their ultimate beneficiaries) or parties acting in concert with any of them, and the Placing Agent are also independent of, not connected with and not acting in concert with any of the Vendor, Directors, chief executives, substantial shareholders of the Company or any of its subsidiaries, or any of their associates (as defined in the Listing Rules) or their respective concert parties.

##### Completion of Placing

The Placing is unconditional and is expected to be completed on 9 January 2007 or such other date as the Vendor and the Placing Agent may agree.

##### Lock Up Undertaking

The Company undertakes to the Placing Agent and the Vendor undertakes to the Placing Agent that it will not, and will not procure the Company to issue, offer, lend, sell, contract to sell, pledge or grant any option to purchase or dispose of any Shares or enter into a transaction (including a derivative transaction) having an economic effect similar to the transfer of economic risk of ownership of the Shares for a period of three months from the date of the Placing Agreement.



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#### THE SUBSCRIPTION

##### Subscriber

The Vendor

##### Number of new Shares subscribed for

The Company will allot and issue and the Vendor will subscribe for such number of new Shares as is equivalent to the aggregate number of the Placing Shares sold to the placees under the Placing up to a maximum number of 60,000,000 Shares (“**Subscription Shares**” and the subscription of the Subscription Shares, the “**Subscription**”), which represent approximately 11.90% of the Company’s existing issued share capital, and approximately 10.64% of its issued share capital as enlarged by the Subscription.

##### Subscription price

HK\$0.74 per Subscription Share (the “**Subscription Price**”), which is equivalent to the Placing Price.

##### Mandate to issue new Shares

The Subscription Shares will be issued under the general mandate granted to the Directors of the Company pursuant to resolutions passed at the annual general meeting of the shareholders held on 19 May 2006. The Company is authorised to issue 100,834,189 Shares under such mandate and the Company has not exercised the power to allot and issue any new Shares pursuant to such mandate prior to the Placing and the Subscription.

##### Ranking

The Subscription Shares will rank pari passu in all respects among themselves and with all other Shares in issue at the time of issue and allotment of the Subscription Shares.

##### Conditions of the Subscription

The Subscription is conditional upon, among others,

1. the completion of the Placing pursuant to the Placing Agreement;
2. the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Subscription Shares; and
3. (if so required) the Cayman Islands Monetary Authority granting permission for the allotment and issue of the Subscription Shares.

None of the above conditions can be waived by the parties to the Subscription Agreement.

The shareholdings of the Vendor will decrease from approximately 59.59% to approximately 47.69% immediately after the Placing and will increase back to approximately 53.26% immediately after the Subscription.

Application will be made to the Listing Committee of the Stock Exchange for listing of and permission to deal in the Subscription Shares.

##### Completion of the Subscription

The completion of the Subscription will take place on the business day next following the day on which the conditions referred to above are fulfilled (which is expected to be on or before 18 January 2007 or such other date as the Vendor and the Company agree).

If the conditions are not fulfilled within the time specified above (or such later date as may be agreed by the Placing Agent, the Vendor and the Company), the Company will comply with the relevant connected transaction requirements under the Listing Rules.

##### Shareholding of the controlling shareholder and changes to the shareholding as a result of the Placing and the Subscription

The Vendor currently holds approximately 59.59% of the Company’s existing issued share capital. The Placing will reduce his shareholding to approximately 47.69% of the Company’s existing issued share capital and the Subscription will then increase such aggregate shareholding to approximately 53.26% of the Company’s enlarged issued share capital. The Vendor has continuously held more than 50% of the existing issued share capital of the Company for the last twelve months from the date of the announcement.

Assuming the maximum of 60,000,000 Shares are placed under the Placing and the same number of Shares subscribed under the Subscription, the shareholding of the Vendor in the Company immediately before the Placing, immediately after the Placing but before the Subscription, and immediately after the Placing and the Subscription are as follows:

The Shareholders	Existing Shareholding		After the Placing but before the Subscription		After the Placing and the Subscription	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
The Vendor	300,454,946	59.59	240,454,946	47.69	300,454,946	53.26
The Public						
— Placees	—	—	60,000,000	11.90	60,000,000	10.64
— Others	203,716,000	40.41	203,716,000	40.41	203,716,000	36.10
In aggregate	504,170,946	100	504,170,946	100	564,170,946	100

##### Expenses

The Company will bear all the costs and expenses of approximately HK\$2,000,000 incurred in relation to the Placing and Subscription and will reimburse the Vendor for all costs and expenses incurred therein. The net proceeds raised per Subscription Share upon completion of the Placing and the Subscription will be HK\$0.71 per Share.

##### Use of proceeds and reasons for the Placing and the Subscription

In view of the current market condition, the Directors consider that the Placing and the Subscription represent an ideal opportunity for the Company to raise additional capital for its future business developments, to enhance its capital base and broaden its shareholders’ base. The net proceeds of approximately HK\$42,400,000 raised by the Company upon completion of the Subscription are intended to be used for capacity expansion of zirconium chemical products which includes buying new equipment & machinery, modification and improvement of existing plant, building new capacity of cubic zirconia and construction of plant.

##### General information

The Company and its subsidiaries are principally engaged in the research, development, manufacture and sale of a wide range of zirconium chemicals, electronic materials (with zirconium), electronic ceramics, new energy materials and rechargeable batteries.

The Group has not conducted any equity fund raising activities in the past 12 months from the date of this announcement.

Further announcement on the number of the Placing Shares actually placed will be made by the Company upon completion of the Placing and the Subscription.

As at the date of this announcement, the Directors of the Company are Mr. Yang Xin Min, Ms. Huang Yue Qin, Mr. Zhou Quan, Mr. Li Fu Ping as Executive Directors, Mr. Cheng Faat Ting Gary, Mr. Guo Jing Mao and Mr. Shi You Chun as Independent Non-Executive Directors.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statements in this announcement misleading.

By order of the Board  
Asia Zirconium Limited  
Yang Xin Min  
Chairman

Hong Kong, 4 January 2007

\* for identification purposes only