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# ASIA ZIRCONIUM LIMITED 亞洲鋳業有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0395)

## (i) PLACING OF EXISTING SHARES AND SUBSCRIPTION OF NEW SHARES; (ii) DISCLOSABLE TRANSACTION; AND (iii) RESUMPTION OF TRADING

Placing Agent



### SUMMARY

#### (I) THE PLACING AND SUBSCRIPTION AGREEMENT I

On 15 May 2007, the Vendor, which holds approximately 53.26% of the existing issued share capital of the Company as at the date of this announcement, entered into the Placing and Subscription Agreement I with the Company and the Placing Agent, pursuant to which (i) the Vendor has agreed to place and the Placing Agent has agreed to procure, on a best effort basis, the placing of the Placing Shares I, being up to a total of 40,000,000 Shares, to the Placees I at the Placing Price of HK\$1.08 per Share; and (ii) subject to fulfillment of the conditions set out in the paragraph headed "Conditions of the Subscription I" below, the Vendor has agreed to subscribe for and the Company has agreed to allot and issue the Subscription Shares I, which are equal to the number of the Placing Shares I that it places under the Placing I, at the Subscription Price of HK\$1.08 per Share, which is equivalent to the Placing Price.

Both the Placing Shares I and the Subscription Shares I represent approximately 7.09% of the issued share capital of the Company as at the date of this announcement and approximately 5.68% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares I and the Subscription Shares II. The Subscription Shares I will be allotted and issued under the 2006 Mandate.

Assuming all 40,000,000 Placing Shares I are placed by the Placing Agent, the net proceeds of the Subscription I is expected to be approximately HK\$41.5 million, which will be applied for capacity expansion of the zirconium chemical products by constructing a new production plant in Binhai County, the PRC as mentioned in the Investment Agreement. It is intended that approximately HK\$20 million will be applied for buying new equipment and machinery and approximately HK\$21.5 million will be applied for building new plant to expand the existing capacity of zirconium oxychloride.

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares I.

#### (II) THE PLACING AND SUBSCRIPTION AGREEMENT II

On 17 May 2007, the Vendor entered into the Placing and Subscription Agreement II with the Company and the Placing Agent, pursuant to which (i) the Vendor has agreed to place and the Placing Agent has agreed to procure, on a best effort basis, the placing of the Placing Shares II, being up to a total of 100,000,000 Shares, to the Placees II at the Placing Price of HK\$1.08 per Share; and (ii) subject to fulfillment of the conditions set out in the paragraph headed "Conditions of the Subscription II" below, the Vendor has agreed to subscribe for and the Company has agreed to allot and issue the Subscription Shares II, which are equal to the number of the Placing Shares II that it places under the Placing II, at the Subscription Price of HK\$1.08 per Share, which is equivalent to the Placing Price.

Both the Placing Shares II and the Subscription Shares II represent approximately 17.73% of the issued share capital of the Company as at the date of this announcement and approximately 14.20% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares I and the Subscription Shares II. The Subscription Shares II will be allotted and issued under the 2007 Mandate.

Assuming all 100,000,000 Placing Shares II are placed by the Placing Agent, the net proceeds of the Subscription II is expected to be approximately HK\$104.6 million. The Company intends to use such proceeds for investment in zircon mine related business. As at the date of this announcement, the Group is exploring possible business opportunities in relation to the above business. The preliminary discussions of such business opportunities are still undergoing and no formal agreement has been entered as at the date of this announcement. The Company will make further announcement, if necessary, in relation to the aforesaid matters in accordance with the requirements of the Listing Rules as and when appropriate.

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares II.

#### (III) THE INVESTMENT AGREEMENT

On 14 May 2007, the Company and the Managing Committee entered into the Investment Agreement. Pursuant to the Investment Agreement, the Company agreed to make an investment in 江蘇濱海經濟開發區化工園 (Jiangsu Binhai Economic Development Zone Chemical Industry Garden) to construct a new production plant with a total fixed asset investment cost of US\$10 million (equivalent to approximately HK\$78 million) and the Managing Committee has agreed to assist the Company to obtain all the necessary approvals for the construction of a new production plant. The investment mentioned in the Investment Agreement constitutes a notifiable transaction under Chapter 14 of the Listing Rules. As the applicable percentage ratios are more than 5% but less than 25%, the Investment Agreement constitutes a discloseable transaction for the Company under Rule 14.06 of the Listing Rules. The Company will issue and dispatch to its shareholders a circular containing details of the Investment Agreement in compliance with Rule 14.38 of the Listing Rules as soon as practicable.

#### (IV) RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 16 May 2007 pending for the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 21 May 2007.

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(Stock Code: 0395)

### (i) PLACING OF EXISTING SHARES AND SUBSCRIPTION OF NEW SHARES; (ii) DISCLOSABLE TRANSACTION; AND (iii) RESUMPTION OF TRADING

Placing Agent



#### (I) THE PLACING AND SUBSCRIPTION AGREEMENT I

On 15 May 2007, the Company, the Vendor and the Placing Agent entered into the Placing and Subscription Agreement I.

##### THE PLACING I

###### Vendor

Mr. Yang Xin Min holds approximately 53.26% of the existing issued share capital of the Company as at the date of this announcement. The Vendor is the Chairman and an executive Director.

###### Placing Agent

China Merchants Securities (HK) Co., Ltd. is not a connected person (as defined in the Listing Rules) of and is independent of, and not connected with, the Company, any director(s), chief executive(s) or substantial shareholder(s) (as defined in the Listing Rules) of the Company or any of its subsidiaries or their respective associates (as defined in the Listing Rules).

###### Placees

The Placing Shares I have been placed to not less than six placees, which will be institutional, corporate and/or individual investors. Each of the placees and/or their respective ultimate beneficial owner(s) is not a connected person (as defined in the Listing Rules) and is independent of, and not connected with, the Company, any director(s), chief executive(s) or substantial shareholder(s) (as defined in the Listing Rules) of the Company or any of its subsidiaries or their respective associates (as defined in the Listing Rules).

###### Number of the Placing Shares I

Pursuant to the Placing and Subscription Agreement I, the number of the Placing Shares I shall be up to a maximum of 40,000,000 existing Shares currently held by the Vendor. The maximum of 40,000,000 Placing Shares I represent approximately 7.09% of the issued share capital of the Company as at the date of this announcement and approximately 5.68% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares I and the Subscription Shares II.

###### Placing Price

The Placing Price of HK\$1.08 per Share represents (i) a discount of approximately 14.29% to the closing price of HK\$1.26 per Share as quoted on the Stock Exchange on 15 May 2007, being the last trading day before the date of the Placing and Subscription Agreement I; (ii) a discount of approximately 6.90% to the average of the closing prices of HK\$1.16 per Share for the last five trading days up to and including 15 May 2007; and (iii) a discount of approximately 1.82% to the average of the closing prices of HK\$1.10 per Share for the last ten trading days up to and including 15 May 2007.

After taking into consideration the costs and expenses in relation to the Placing I and the Subscription I, the net price per Placing Share I is approximately HK\$1.04 per Share assuming all 40,000,000 Placing Shares I are placed by the Placing Agent.

The Placing Price is determined after arm's length negotiation between the Company, the Vendor and the Placing Agent.

The Company will bear all the costs and expenses and will reimburse the Vendor for all costs and expenses incurred by it in relation to the Placing I and Subscription I. Any interest received by the Vendor in relation to the proceeds of the Placing I will be kept for the benefit of the Company.

###### Basis of the Placing I

Pursuant to the Placing and Subscription Agreement I, the Placing Agent shall place the Placing Shares I on a best effort basis. As at the date of this announcement, the Placing Shares I have been fully placed by the Placing Agent.

###### Rights of the Placing Shares I

The Placing Shares I will be sold by the Vendor free from all liens, charges, encumbrances, claims, options and all third party rights. Upon completion of the Placing I, the Placees I will be entitled to all rights attaching to the Placing Shares I as at the date of the completion of the Placing I, including the right to receive all dividends and other distributions which may be declared, made or paid by the Company in respect of the Placing Shares I if the record date for which shall fall on or after the date of the completion of the Placing I.

###### Completion of the Placing I

The Placing I is unconditional. Completion of the Placing I will take place before 5:00 p.m. on the second Business Day immediately after the date of the Placing and Subscription Agreement I, or the date of resumption of trading in the Shares after publication of this announcement, whichever is later, or such other date as may be agreed between the Vendor and the Placing Agent.

#### THE SUBSCRIPTION I

##### Issuer

The Company.

##### Subscriber

The Vendor.

##### Number of the Subscription Shares I

The number of the Subscription Shares I is equivalent to the aggregate number of Placing Shares I sold to the Placees I under the Placing I, up to a maximum of 40,000,000 new Shares, representing approximately 7.09% of the issued share capital of the Company as at the date of this announcement and approximately 5.68% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares I and the Subscription Shares II.

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Placing Agent



### Subscription Price

HK\$1.08 per Share, which is equivalent to the Placing Price.

### Mandate to issue the Subscription Shares I

The Subscription Shares I will be allotted and issued under the 2006 Mandate. The Company is authorized to allot, issue or otherwise deal with up to 100,834,189 new Shares under the 2006 Mandate. As at the date of this announcement, 60,000,000 Shares have been issued by the Company under the 2006 Mandate as disclosed in the announcement of the Company dated 4 January 2007 and the number of Shares remaining under the 2006 Mandate is 40,834,189 Shares before the completion of the Subscription I.

### Ranking of the Subscription Shares I

The Subscription Shares I, when fully paid and issued, will rank equally in all respects among themselves and with all other Shares in issue as at the date of completion of the Subscription I.

### Conditions of the Subscription I

The Subscription I is conditional upon full satisfaction of the following conditions by the Long Stop Date I or such later date as the parties hereto may agree in writing:

- the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Subscription Shares I; and
- completion of the Placing I pursuant to the Placing and Subscription Agreement I.

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares I.

In the event of the conditions above not being fulfilled by the Long Stop Date I (or such later date as may be agreed by the Vendor and the Company in writing), all rights, obligations and liabilities of the parties to the Placing and Subscription Agreement I in relation to the Subscription I will cease and terminate.

### Completion of the Subscription I

Completion of the Subscription I will take place on the second Business Day following the fulfillment of all the conditions of the Subscription I (or such other date as may be agreed between the Vendor and the Company). The Subscription I constitutes a connected transaction under the Listing Rules but it falls within the exemption under Rule 14A.31(3)(d) of the Listing Rules if the Subscription I is completed within 14 days from the date of the Placing and Subscription Agreement I (i.e. 29 May 2007). In the event that the Subscription I is not completed within 14 days from the date of the Placing and Subscription Agreement I and the Vendor and the Company agree to extend the Long Stop Date I, the Subscription I will not fall within the exemption under Rule 14A.31(3)(d) of the Listing Rules and shall be subject to the approval of independence shareholders of the Company and the Company will comply with the relevant connected transaction requirements of Chapter 14A of the Listing Rules.

## (II) THE PLACING AND SUBSCRIPTION AGREEMENT II

On 17 May 2007, the Company, the Vendor and the Placing Agent entered into the Placing and Subscription Agreement II.

### THE PLACING II

#### Vendor

Mr. Yang Xin Min.

#### Placing Agent

China Merchants Securities (HK) Co., Ltd. is not a connected person (as defined in the Listing Rules) of and is independent of, and not connected with, the Company, any director(s), chief executive(s) or substantial shareholder(s) (as defined in the Listing Rules) of the Company or any of its subsidiaries or their respective associates (as defined in the Listing Rules).

#### Placees

The Placing Shares II have been placed to not less than six placees, which will be institutional, corporate and/or individual investors. Each of the placees and/or their respective ultimate beneficial owner(s) is not a connected person (as defined in the Listing Rules) and is independent of, and not connected with, the Company, any director(s), chief executive(s) or substantial shareholder(s) (as defined in the Listing Rules) of the Company or any of its subsidiaries or their respective associates (as defined in the Listing Rules).

### Number of the Placing Shares II

Pursuant to the Placing and Subscription Agreement II, the number of the Placing Shares II shall be up to a maximum of 100,000,000 existing Shares currently held by the Vendor. The maximum of 100,000,000 Placing Shares II represent approximately 17.73% of the issued share capital of the Company as at the date of this announcement and approximately 14.20% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares I and the Subscription Shares II pursuant to the Subscription I and the Subscription II.

### Placing Price

The Placing Price of HK\$1.08 per Share represents (i) a discount of approximately 14.29% to the closing price of HK\$1.26 per Share as quoted on the Stock Exchange on 15 May 2007, being the last trading day before the date of the Placing and Subscription Agreement II; (ii) a discount of approximately 6.90% to the average of the closing prices of HK\$1.16 per Share for the last five trading days up to and including 15 May 2007; and (iii) a discount of approximately 1.82% to the average of the closing prices of HK\$1.10 per Share for the last ten trading days up to and including 15 May 2007.

After taking into consideration the costs and expenses in relation to the Placing II and the Subscription II, the net price per Placing Share II is approximately HK\$1.05 per Share assuming all 100,000,000 Placing Shares II are placed by the Placing Agent.

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Placing Agent



The Placing Price is determined after arm's length negotiation between the Company, the Vendor and the Placing Agent.

The Company will bear all the costs and expenses and will reimburse the Vendor for all costs and expenses incurred by it in relation to the Placing II and the Subscription II. Any interest received by the Vendor in relation to the proceeds of the Placing II will be kept for the benefit of the Company.

### Basis of the Placing II

Pursuant to the Placing and Subscription Agreement II, the Placing Agent shall place the Placing Shares II on a best effort basis. As at the date of this announcement, the Placing Shares II have been fully placed by the Placing Agent.

### Rights of the Placing Shares II

The Placing Shares II will be sold by the Vendor free from all liens, charges, encumbrances, claims, options and all third party rights. Upon completion of the Placing II, the Placees II will be entitled to all rights attaching to the Placing Shares II as at the date of the completion of the Placing II, including the right to receive all dividends and other distributions which may be declared, made or paid by the Company in respect of the Placing Shares II if the record date for which shall fall on or after the date of the completion of the Placing II.

### Completion of the Placing II

The Placing II is unconditional. Completion of the Placing II will take place before 5:00 p.m. on the second Business Day immediately after the date of the Placing and Subscription Agreement II, or the date of resumption of trading in the Shares after publication of this announcement, whichever is later, or such other date as may be agreed between the Vendor and the Placing Agent.

## THE SUBSCRIPTION II

### Issuer

The Company.

### Subscriber

The Vendor.

### Number of the Subscription Shares II

The number of the Subscription Shares II is equivalent to the aggregate number of Placing Shares II sold to the Placees II under the Placing II, up to a maximum of 100,000,000 new Shares, representing approximately 17.73% of the issued share capital of the Company as at the date of this announcement and approximately 14.20% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares I and the Subscription Shares II.

### Subscription Price

HK\$1.08 per Share, which is equivalent to the Placing Price.

### Mandate to issue the Subscription Shares II

The Subscription Shares II will be allotted and issued under the 2007 Mandate. The Company is authorized to allot, issue or otherwise deal with up to 112,834,189 new Shares under the 2007 Mandate. As at the date of this announcement, the 2007 Mandate has not been utilized.

### Ranking of the Subscription Shares II

The Subscription Shares II, when fully paid and issued, will rank equally in all respects among themselves and with all other Shares in issue as at the date of completion of the Subscription II.

### Conditions of the Subscription II

The Subscription II is conditional upon full satisfaction of the following conditions by the Long Stop Date II or such later date as the parties hereto may agree in writing:

- (c) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Subscription Shares II; and
- (d) completion of the Placing II pursuant to the Placing and Subscription Agreement II.

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares II.

In the event of the conditions above not being fulfilled by the Long Stop Date II (or such later date as may be agreed by the Vendor and the Company in writing), all rights, obligations and liabilities of the parties to the Placing and Subscription Agreement II in relation to the Subscription II will cease and terminate.

### Completion of the Subscription II

Completion of the Subscription II will take place on the second Business Day following the fulfillment of all the conditions of the Subscription II (or such other date as may be agreed between the Vendor and the Company). The Subscription II constitutes a connected transaction under the Listing Rules but it falls within the exemption under Rule 14A.31(3)(d) of the Listing Rules if the Subscription II is completed within 14 days from the date of the Placing and Subscription Agreement II (i.e. 31 May 2007). In the event that the Subscription II is not completed within 14 days from the date of the Placing and Subscription Agreement II and the Vendor and the Company agree to extend the Long Stop Date II, the Subscription II will not fall within the exemption under Rule 14A.31(3)(d) of the Listing Rules and shall be subject to the approval of independence shareholders of the Company and the Company will comply with the relevant connected transaction requirements of Chapter 14A of the Listing Rules.

## (III) CHANGES IN THE SHAREHOLDING INTERESTS OF THE COMPANY

The shareholding interests of the Company as at (i) the date of this announcement; (ii) immediately after the Placing I and the Placing II but before completion of the

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Placing Agent



Subscription I and the Subscription II; and (iii) immediately after completion of the Placing I, the Placing II, the Subscription I and the Subscription II are as follows:

	As at the date of this announcement		Immediately after the Placing I and the Placing II but before completion of the Subscription I and the Subscription II		Immediately after completion of the Placing I, the Placing II, the Subscription I and the Subscription II	
	Shares	%	Shares	%	Shares	%
Vendor	300,454,946	53.26	160,454,946	28.44	300,454,946	42.67
The Placees I and the Placees II						
— CCB International Asset Management Limited	—		73,000,000	12.94	73,000,000	10.37
— Others (Note)	—		67,000,000	11.88	67,000,000	9.51
Public	263,716,000	46.74	263,716,000	46.74	263,716,000	37.45
Total:	<u>564,170,946</u>	<u>100.00</u>	<u>564,170,946</u>	<u>100.00</u>	<u>704,170,946</u>	<u>100.00</u>

Note: Save as CCB International Asset Management Limited, none of the placees will become a substantial shareholder (as defined in the Listing Rules) as a result of the Placing I and the Placing II.

#### (IV) REASONS FOR ENTERING THE PLACING AND SUBSCRIPTION AGREEMENT I AND THE PLACING AND SUBSCRIPTION AGREEMENT II AND USE OF NET PROCEEDS OF THE SUBSCRIPTION I AND THE SUBSCRIPTION II

The Group is 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.

In view of the current market, the Directors (including the independent non-executive Directors) considered that the Placing and the Subscription represents 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\$41.5 million raised by the Company upon completion of the Subscription I are intended to be used for capacity expansion of the zirconium chemical products by constructing a new production plant in Binhai County, the PRC as mentioned in the Investment Agreement. It is intended that approximately HK\$20 million will be applied for buying new equipment and machinery and approximately HK\$21.5 million will be applied for building new plant to expand the existing capacity of zirconium oxychloride.

The net proceeds of the Subscription II is estimated to be approximately HK\$104.6 million. The Company intends to use such proceeds for investment in zircon mine related business. As at the date of this announcement, the Group is exploring possible business opportunities in relation to the above business. The preliminary negotiations of such business opportunities are still undergoing and no formal agreement has been entered into as at the date of this announcement. The Company will make further announcement, if necessary, in relation to the aforesaid matters in accordance with the requirements of the Listing Rules as and when appropriate.

The Directors (including the independent non-executive Directors) consider that the Placing and Subscription Agreement I and the Placing and Subscription Agreement II are entered into upon normal commercial terms following arm's length negotiations between the Company, the Vendor and the Placing Agent, and that the terms of the Placing and Subscription Agreement I and the Placing and the Subscription Agreement II are fair and reasonable and are in the interest of the Company and its shareholders as a whole.

#### FUND RAISING ACTIVITY DURING THE PAST 12 MONTHS FROM THE DATE OF THIS ANNOUNCEMENT

Date of announcement	Event	Net proceeds	Intended use of proceeds as stated in the announcement	Actual use of proceeds
4 January 2007	Placing of 60 million existing Shares and subscription of new Shares at HK\$0.74 per Share	Approximately HK\$42.4 million	To be used for capacity expansion of zirconium chemical products	The proceeds has not been used as at the date of this announcement. The proceeds is deposited in the bank accounts of the Group and will be used as the purpose stated in the announcement on or before 30 June 2007.

Save as disclosed above, the Company has not conducted any fund raising exercise during the past twelve months immediately preceding the date of this announcement.

#### (V) THE INVESTMENT AGREEMENT

The principal terms of the Investment Agreement are as follows:

##### Date:

14 May 2007

##### Parties:

- the Company. The Company is an investment holding company and the Group is 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; and
- the Managing Committee. To the best knowledge of the Directors, the Managing Committee is a committee to help investors to invest in 江蘇濱海經濟開發區化工園 (Jiangsu Binhai Economic Development Zone Chemical Industry Garden) and it is not a connected person (as defined in the Listing Rules) of and is independent of, and not connected with, the Company, any director(s), chief executive(s) or substantial shareholder(s) (as defined in the Listing Rules) of the Company or any of its subsidiaries or their respective associates (as defined in the Listing Rules).

##### Subject matter of the Investment Agreement

Pursuant to the Investment Agreement, the Company agreed to make an investment in 江蘇濱海經濟開發區化工園 (Jiangsu Binhai Economic Development Zone Chemical Industry Garden) to construct a new production plant with a total fixed asset

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Placing Agent



investment cost of US\$10 million (equivalent to approximately HK\$78 million). As mentioned in the paragraph headed “Reasons for entering the Placing and Subscription Agreement I and the Placing and Subscription Agreement II and use of net proceeds of the Subscription I and the Subscription II” above, approximately HK\$41.5 million of the total fixed asset investment cost will be financed by the net proceeds of the Subscription I while the remaining will be financed by the internal resources of the Group and/or debt financing and/or equity financing after considering the situation of the Group and the market situation when the investment is made. As stated in the Investment Agreement, the investment amount should include (i) cost of land and construction of a new production plant of US\$2.8 million (equivalent to approximately HK\$21.8 million), which includes acquisition of a piece of land at 中山西路南、黃海北路西、中山河堤東、新凱化工北F11及F9 (F11 & F9, Zhongshan Xi Lu Nan, Huanghai Bei Lu Xi, Zhongshan Heti Dong, Xin Kai Hua Gong Bei) of approximately 228 Mou at RMB25,000 (equivalent to approximately HK\$25,000) per Mou to construct a new production plant; and (ii) equipment cost of US\$3 million (equivalent to approximately HK\$23.4 million). The Directors intend to use the remaining US\$4.2 million (equivalent to approximately HK\$32.76 million) for expansion of the new production plant, which includes construction cost of additional buildings and purchase cost of additional machinery and equipment. The first stage of the fixed asset investment of US\$6 million (equivalent to approximately 46.8 million) shall start before December 2007 and is expected to complete before April 2008. The total fixed asset investment cost of US\$10 million (equivalent to approximately HK\$78 million) is determined after considering the expected land cost, construction cost and equipment cost for constructing and set up of the new production plant.

Pursuant to the Investment Agreement, the Managing Committee has agreed to assist the Company to obtain all the necessary approvals for the construction of a new production plant.

If the Company does not make the investment according to the Investment Agreement, a penalty of RMB500,000 (equivalent to approximately HK\$500,000) should be paid by the Company to the Managing Committee. If the necessary approvals for the construction of the new production plant cannot be obtained due to the fault of the Managing Committee, a penalty of RMB500,000 (equivalent to approximately HK\$500,000) should be paid by the Managing Committee to the Company.

### Reason for entering into the Investment Agreement

As stated in the annual report of the Company for the year ended 31 December 2006, the Directors expect that the increasing demand for zirconium chemicals, resulting from the robust global and PRC economies, will bring further rooms for the development to the Group. To meet the increasing customer demand, the Company decides to expand the capacity of the zirconium chemical products by constructing a new production plant. Thus the Directors (including the independent non-executive Directors) consider that the terms of the Investment Agreement are fair and reasonable and that the Investment Agreement is in the interests of the shareholders of the Company and the Company as a whole.

### Implication under the Listing Rules

The investment mentioned in the Investment Agreement constitutes a notifiable transaction under Chapter 14 of the Listing Rules. As the applicable percentage ratios are more than 5% but less than 25%, the Investment Agreement constitutes a discloseable transaction for the Company under Rule 14.06 of the Listing Rules. The Company will issue and dispatch to its shareholders a circular containing details of the Investment Agreement in compliance with Rule 14.38 of the Listing Rules as soon as practicable.

### (VI) RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 16 May 2007 pending for the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 21 May 2007.

### DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“2006 Mandate”	the general mandate to allot, issue and deal with Shares granted to the Directors by the shareholders of the Company by a resolution passed at the annual general meeting of the Company held on 19 May 2006
“2007 Mandate”	the general mandate to allot, issue and deal with Shares granted to the Directors by the shareholders of the Company by a resolution passed at the annual general meeting of the Company held on 17 May 2007
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday) on which banks in Hong Kong are open for business
“Company”	Asia Zirconium Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Investment Agreement”	an investment agreement dated 14 May 2007 entered into between the Company and Managing Committee, pursuant to which the Company agreed to make an investment in Binhai County, the PRC to construct a new production plant
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date I”	29 May 2007
“Long Stop Date II”	31 May 2007

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of Asia Zirconium Limited.



## ASIA ZIRCONIUM LIMITED 亞洲鋳業有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0395)

### (i) PLACING OF EXISTING SHARES AND SUBSCRIPTION OF NEW SHARES; (ii) DISCLOSABLE TRANSACTION; AND (iii) RESUMPTION OF TRADING

Placing Agent



“Managing Committee”	江蘇濱海經濟開發區化工園管委會 (Jiangsu Binhai Economic Development Zone Chemical Industry Garden Managing Committee), to the best knowledge of the Director, a committee to help investors to invest in江蘇濱海經濟開發區化工園 (Jiangsu Binhai Economic Development Zone Chemical Industry Garden)	“Placing Shares II”	up to a maximum of 100,000,000 existing Shares currently owned by the Vendor as at the date of this announcement
		“PRC”	the People’s Republic of China
		“Share(s)”	Share(s) of HK\$0.10 each in the share capital of the Company
		“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Placees I”	placees procured by the Placing Agent or its sub-placing agent(s) pursuant to the Placing and Subscription Agreement I, all of which are not connected persons (as defined in the Listing Rules) of and are independent of, and not connected with, the Company, any director(s), chief executive(s) or substantial shareholder(s) (as defined in the Listing Rules) of the Company or any of its subsidiaries or their respective associates (as defined in the Listing Rules)	“Subscription I”	the subscription for the Subscription Shares I by the Vendor pursuant to the Placing and Subscription Agreement I
		“Subscription II”	the subscription for the Subscription Shares II by the Vendor pursuant to the Placing and Subscription Agreement II
		“Subscription Price”	HK\$1.08 per Share
		“Subscription Shares I”	such number of Subscription Shares I which is equivalent to the aggregate number of Placing Shares I sold to the Placees I under the Placing I, up to a maximum of 40,000,000 new Shares to be subscribed by the Vendor under the Placing and Subscription Agreement I
“Placees II”	placees procured by the Placing Agent or its sub-placing agent(s) pursuant to the Placing and Subscription Agreement II, all of which are not connected persons (as defined in the Listing Rules) of and are independent of, and not connected with, the Company, any director(s), chief executive(s) or substantial shareholder(s) (as defined in the Listing Rules) of the Company or any of its subsidiaries or their respective associates (as defined in the Listing Rules)	“Subscription Shares II”	such number of Subscription Shares II which is equivalent to the aggregate number of Placing Shares II sold to the Placees II under the Placing II, up to a maximum of 100,000,000 new Shares to be subscribed by the Vendor under the Placing and Subscription Agreement II
“Placing I”	the placing of the Placing Shares I pursuant to the Placing and Subscription Agreement I	“Vendor”	Mr. Yang Xin Min, who holds approximately 53.26% of the existing issued share capital of the Company as at the date of this announcement, and is the Chairman and an executive Director
“Placing II”	the placing of the Placing Shares II pursuant to the Placing and Subscription Agreement II	“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Placing Agent”	China Merchants Securities (HK) Co., Ltd., a licensed corporation to carry on business in type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) of the regulated activities under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)	“%”	per cent.
“Placing and Subscription Agreement I”	the placing and subscription agreement entered into on 15 May 2007 by the Company, the Vendor and the Placing Agent in relation to the Placing I and the Subscription I		
“Placing and Subscription Agreement II”	the placing and subscription agreement entered into on 17 May 2007 by the Company, the Vendor and the Placing Agent in relation to the Placing II and the Subscription II		
“Placing Price”	HK\$1.08 per Share		
“Placing Shares I”	up to a maximum of 40,000,000 existing Shares currently owned by the Vendor as at the date of this announcement	RMB1=HK\$1.00 USD1=HK\$7.80	

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

Hong Kong, 18 May 2007

As at the date of this announcement, the Board comprises Mr. Yang Xin Min, Ms. Huang Yue Qin, Mr. Zhou Quan and Mr. Li Fu Ping as executive Directors and Mr. Cheng Faat Ting Gary, Mr. Guo Jing Mao and Mr. Shi You Chun as independent non-executive Directors.

For the purpose of this announcement, for the purpose of illustration only, the following exchange rates are used: