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中國稀土控股有限公司

China Rare Earth Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 769)

**PLACING OF EXISTING SHARES AND SUBSCRIPTION OF NEW SHARES:
EXERCISE OF OPTION**

Placing Agent



KIM ENG SECURITIES (HONG KONG) LIMITED

Pursuant to the Placing and Subscription Agreement, the Placing Agent has agreed to procure, on a best effort basis, places for the purchase of up to 100,000,000 Shares owned by the Vendor. The Vendor has also granted the Option to the Placing Agent exercisable by the Placing Agent, to require the Vendor to sell in aggregate up to 20,000,000 Option Shares. The Board announces that the Option was exercised by the Placing Agent. The Placing Shares, together with the Option Shares, amounted to 120,000,000 Shares and represent approximately 7.73% of the existing issued share capital of the Company and approximately 7.18% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

Reference is made to the announcement of China Rare Earth Holdings Limited (“**Company**”) dated 14 October 2010 in relation to placing of existing shares and subscription of new shares (“**Announcement**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as in the Announcement.

Pursuant to the Placing and Subscription Agreement, the Placing Agent has agreed to procure, on a best effort basis, places for the purchase of up to 100,000,000 Shares owned by the Vendor. The Vendor has also granted the Option to the Placing Agent exercisable by the Placing Agent, to require the Vendor to sell in aggregate up to 20,000,000 Option Shares. The Board announces that the Option was exercised by

the Placing Agent. The Placing Shares, together with the Option Shares, amounted to 120,000,000 Shares and represent approximately 7.73% of the existing issued share capital of the Company and approximately 7.18% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

The Placing will reduce the shareholding of the Vendor and any party acting in concert with it from approximately 38.35% to approximately 30.62% of the existing issued share capital of the Company. The then Subscription will increase the shareholding of the Vendor and any party acting in concert with it to approximately 35.60% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares thereby triggering a general offer obligation under the Takeovers Code. An application will be made by the Vendor to the Executive for the granting of a waiver from general offer obligation that might otherwise arise under the Takeovers Code as a result of the Subscription. An application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Subscription Shares.

Completion of the Placing will take place on 18 October 2010 or such other date as the Placing Agent may agree pursuant to the Placing and Subscription Agreement, and completion of the Subscription will take place on or before 28 October 2010, subject to the terms and conditions of the Placing and Subscription Agreement.

The net proceeds from the Subscription will amount to approximately HK\$455 million. The Company intends to retain the net proceeds as general working capital of the Group.

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

Hong Kong, 15 October 2010

As at the date of this announcement, the Board consists of Mr. Jiang Quanlong, Ms. Qian Yuanying and Mr. Jiang Cainan as executive directors and Mr. Liu Yujiu, Mr. Huang Chunhua and Mr. Jin Zhong 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 statement in this announcement misleading.