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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)

DISCLOSEABLE TRANSACTION

The Directors wish to announce that on 8 August 2011, Yixing Xinwei, a 95% owned subsidiary of the Company, Liu Shinian and Liu Bingxin entered into the Equity Transfer Agreement, pursuant to which Yixing Xinwei has agreed to transfer 60% and 40% of the Sale Interest to each of Liu Shinian and Liu Bingxin respectively at an aggregate Consideration of RMB257,000,000 (equivalent to approximately HK\$309,600,000). The Disposal constitutes a discloseable transaction for the Company under Rule 14.06 of the Listing Rules.

THE EQUITY TRANSFER AGREEMENT

Date

8 August 2011

Parties

Vendor: Yixing Xinwei, a 95% owned subsidiary of the Company

Purchasers: (i) Liu Shinian, a PRC individual; and
(ii) Liu Bingxin, a PRC individual

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Purchasers are third parties independent of the Company and connected persons of the Company.

Interest to be acquired

Subject to the terms and conditions of the Equity Transfer Agreement, the Purchasers agreed to acquire from the Vendor, and the Vendor agreed to sell to the Purchasers, the Sale Interest, representing the entire registered capital of Xinghua. Upon completion of the Equity Transfer Agreement, Liu Shinian and Liu Bingxin will be interested in Xinghua as to 60% and 40% respectively and Xinghua will cease to be a subsidiary of the Group.

Consideration

The Consideration shall be a sum of RMB257,000,000 (equivalent to approximately HK\$309,600,000). Pursuant to the Equity Transfer Agreement, the Consideration shall be settled in the following manner:

- (1) 50% of the Consideration (i.e. RMB128,500,000 (equivalent to approximately HK\$154,800,000)) shall be paid by the Purchasers (RMB77,100,000 (equivalent to approximately HK\$92,900,000) by Liu Shinian; and RMB51,400,000 (equivalent to approximately HK\$61,900,000) by Liu Bingxin) to the Vendor on 8 August 2011; and
- (2) 50% of the Consideration (i.e. RMB128,500,000 (equivalent to approximately HK\$154,800,000)) shall be paid by the Purchasers (RMB77,100,000 (equivalent to approximately HK\$92,900,000) by Liu Shinian; and RMB51,400,000 (equivalent to approximately HK\$61,900,000) by Liu Bingxin) to the Vendor before 12 August 2011.

The Consideration was negotiated between the parties on an arm's length basis taking into account the original acquisition cost of Xinghua by the Vendor in 2008 (details of which are set out in the announcement of the Company dated 6 October 2008 and the circular of the Company dated 27 October 2008) and the business performance of Xinghua in the recent years. The Consideration had been settled by the Purchaser in accordance with the terms of the Equity Transfer Agreement.

The Directors consider that the Consideration is fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

INFORMATION OF XINGHUA

Xinghua is a company established in the PRC by Shao Jufang and Xie Fadi in 2006. It is principally engaged in the manufacture and sale of the rare earth minerals in the PRC. As at the date of this announcement, the registered capital of Xinghua was RMB20,000,000 (equivalent to approximately HK\$24,100,000).

The net profit before and after taxation of Xinghua for the year ended 31 December 2009 were approximately HK\$34,928,000 and approximately HK\$26,196,000 respectively, and the net profit before and after taxation of Xinghua for the year ended 31 December 2010 were approximately HK\$31,801,000 and approximately HK\$23,668,000 respectively, in accordance with the Hong Kong Accounting Standard for consolidation purposes. The net asset value of Xinghua as at 31 December 2010 amounted to approximately HK\$299,020,000.

REASONS FOR THE DISPOSAL

The Group is principally engaged in the manufacture and sale of rare earth products and refractory products in the PRC. So far as the Directors are aware, the Central Government of the PRC has implemented stricter regulatory controls in the mining of upstream resources. These control measures have affected the supply of raw materials to Xinghua. In view of the difficulty in acquiring adequate supply of raw materials and in order to protect the investors' interest, the Group, after due consideration, decided to dispose of all of its interest in Xinghua.

Having regard to the above factors, the Directors consider that the terms and conditions of the Equity Transfer Agreement are fair and reasonable and that the Disposal is on normal commercial terms and is in the interest of the Shareholders as a whole.

FINANCIAL EFFECT OF THE DISPOSAL

Subject to audit, it is presently estimated that the Group will not have significant gain/loss arising from the Disposal as the Consideration was negotiated between the parties on an arm's length basis taking into account the original acquisition cost of Xinghua by the Vendor in 2008 and the business performance of Xinghua in the recent years. The net proceeds received by the Group are intended to be used as its working capital and other potential investment.

GENERAL

As the applicable percentage ratios (as defined under the Listing Rules) for the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company pursuant to Rule 14.06(2) of the Listing Rules.

Pursuant to Rule 14.34 of the Listing Rules, among others, as soon as possible after the terms of a discloseable transaction have been finalised, a listed issuer shall inform the Stock Exchange and publish an announcement in accordance with the Listing Rules. However, the Company only noticed that the Disposal constitutes a discloseable transaction for the Company pursuant to the Listing Rules during its preparation of the forthcoming interim results announcement for the six months ended 30 June 2011, and it had failed to comply with the reporting and announcement requirements under the Listing Rules.

DEFINITIONS

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

“Company”	中國稀土控股有限公司(China Rare Earth Holdings Limited), a company incorporated in the Cayman Islands and whose shares are listed on the Stock Exchange
“Consideration”	the sum of RMB257,000,000 (equivalent to approximately HK\$309,600,000)

“Directors”	the directors of the Company
“Disposal”	the disposal by the Vendor of the Sale Interest to the Purchasers pursuant to the Equity Transfer Agreement
“Equity Transfer Agreement”	the agreement dated 8 August 2011 entered into between Yixing Xinwei as vendors, and Liu Shinian and Liu Bingxin as purchasers in relation to the Disposal
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Purchasers”	Liu Shinian and Liu Bingxin, two PRC individuals
“Sale Interest”	the beneficial interest representing the entire registered capital of Xinghua, to be disposed by the Vendor to the Purchasers pursuant to the Equity Transfer Agreement
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor” or “Yixing Xinwei”	宜興新威利成稀土有限公司(Yixing Xinwei Leeshing Rare Earth Company Limited), a 95% owned subsidiary of the Company
“Xinghua”	江華瑤族自治縣興華稀土新材料有限公司(Jianghua Yao Nationality Autonomous County Xinghua Rare Earth Company Limited), a company established in the PRC, the subject company of the Equity Transfer Agreement

“RMB” Renminbi, the lawful currency of the PRC

“%” per cent.

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

Hong Kong, 26 August 2011

As at the date of this announcement, the Directors are as follows:

Executive Directors: Jiang Quanlong, Qian Yuanying and Jiang Cainan

Independent non-executive Directors: Liu Yujiu, Huang Chunhua and Jin Zhong

For the purpose of this announcement, translations of RMB into HK\$ or vice versa have been calculated by using an exchange rate of HK\$1.00 = RMB0.83.

The English translation of the Chinese names of the relevant parties and subject company is for information purposes only, and should not be regarded as the official English translation of such names.