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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)

**(1) PROPOSED RIGHTS ISSUE OF 669,057,222 RIGHTS SHARES OF HK\$0.10 EACH AT HK\$0.60 PER RIGHTS SHARE PAYABLE IN FULL ON ACCEPTANCE (IN THE PROPORTION OF 2 RIGHTS SHARES FOR EVERY 5 EXISTING SHARES HELD ON THE RECORD DATE); AND
(2) INCREASE OF AUTHORISED SHARE CAPITAL**

Underwriter to the Rights Issue



VMS Securities Limited

PROPOSED RIGHTS ISSUE

The Company proposes to raise approximately HK\$401.4 million before expenses by issuing 669,057,222 Rights Shares at the Subscription Price of HK\$0.60 per Rights Share on the basis of 2 Rights Shares for every 5 existing Shares in issue on the Record Date. Fractional entitlements will not be allotted but will be aggregated and sold for the benefit of the Company.

Based on the 669,057,222 Rights Shares proposed to be issued, the net proceeds from the Rights Issue is currently expected to be approximately HK\$390.0 million, which will be used for general working capital purposes of the Group (including existing and potential businesses).

The Committed Shareholder has irrevocably undertaken to the Company and the Underwriter, among other matters, that: (i) its Shares will remain registered in the same name until the close of business on the Record Date and will continue to have registered address in Hong Kong; (ii) it will subscribe or procure subscription in full for its entitlements under the Rights Issue pursuant to the terms of the Rights Issue and lodge with the Company acceptance in respect of all the Rights Shares provisionally allotted to it, with payment in full; and (iii) it will not and will procure that companies controlled by it will not, during the period from immediately after the

execution of the Underwriting Agreement and prior to or on the date the Underwriting Agreement becoming unconditional, dispose of or transfer the beneficial interests in any of the Shares beneficially owned by it.

The Underwriter has conditionally agreed to fully underwrite all the Rights Shares other than those agreed to be taken up by the Committed Shareholder pursuant to the Irrevocable Undertaking. Details of the major terms and conditions of the Underwriting Agreement are set out in the section headed “Underwriting Arrangements for the Rights Issue” in this announcement.

The Rights Issue is conditional upon the fulfillment or waiver of the conditions set out below under the paragraph headed “Conditions of the Rights Issue” under the section headed “Proposed Rights Issue” in this announcement. In particular, it is subject to the Underwriting Agreement not being terminated in accordance with its terms (see the paragraph below headed “Termination of the Underwriting Agreement” under the section headed “Underwriting Arrangements for the Rights Issue” in this announcement).

If the Underwriter terminates the Underwriting Agreement, or the conditions of the Rights Issue are not fulfilled or waived, the Rights Issue will not proceed.

The last day of dealings in the Shares on the Stock Exchange on a cum-rights basis will be 3 July 2015. The Shares will be dealt in on an ex-rights basis on the Stock Exchange from 6 July 2015. To qualify for the Rights Issue, a Qualifying Shareholder’s name must appear on the register of members of the Company on the Record Date, which is currently expected to be 10 July 2015. In order to be registered as Shareholders on the Record Date, any transfers of Shares (with the relevant share certificates) must be lodged for registration by 4:30 p.m. on 7 July 2015 (the register of members of the Company is expected to be closed from 8 July 2015 to 10 July 2015, both days inclusive).

Any persons contemplating buying or selling Shares from the date of this announcement up to the date on which all the conditions of the Rights Issue are fulfilled or waived, and any dealings in the Rights Shares in their nil-paid form between 20 July 2015 to 27 July 2015 (both dates inclusive), bear the risk that the Rights Issue may not become unconditional or may not proceed.

GENERAL

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms. The Company will despatch the Rights Issue Documents to each of the Qualifying Shareholders and the Prospectus to each of the Excluded Shareholders (if any), for their information only, on or about 16 July 2015.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

The existing authorised share capital of the Company is HK\$200,000,000 divided into 2,000,000,000 Shares. As at the date of this announcement, 1,672,643,059 Shares were in issue. In order to provide the Company with flexibility for future development and to facilitate the Rights Issue, the Board proposes to increase the authorised share capital of the Company to HK\$400,000,000 divided into 4,000,000,000 Shares by the creation of an additional 2,000,000,000 Shares. The proposed increase in authorised share capital is subject to the approval by the Shareholders by way of an ordinary resolution at the EGM. A circular containing, among other matters, details of the proposed increase in authorised share capital, together with a notice of EGM and the related proxy form, will be despatched to the Shareholders on or about 15 June 2015.

PROPOSED RIGHTS ISSUE

Basis of the Rights Issue: 2 Rights Shares for every 5 existing Shares held on the Record Date

Number of existing shares in issue as at the date of this announcement: 1,672,643,059 Shares

Number of Rights Shares: 669,057,222 Rights Shares

The nil-paid Rights Shares proposed to be provisionally allotted pursuant to the terms of the Rights Issue represent approximately 40.0% of the Company's existing issued share capital as at the date of this announcement and approximately 28.6% of the enlarged issued share capital of the Company immediately following completion of the Rights Issue.

As at the date of this announcement, the Company has no derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares.

The Rights Shares

The Subscription Price for the Rights Shares is HK\$0.60 per Rights Share, payable in full when a Qualifying Shareholder accepts his/her/its provisional allotment under the Rights Issue or applies for excess Rights Shares or when a transferee of nil-paid Rights Shares subscribes for the Rights Shares.

The Subscription Price of HK\$0.60 per Rights Share represents:

- a discount of approximately 58.6% to the closing price of HK\$1.450 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a discount of approximately 59.9% to the average closing price of HK\$1.496 per Share for the five consecutive trading days up to and including the Last Trading Day; and
- a discount of approximately 50.3% to the theoretical ex-rights price of HK\$1.207 per Share based on the closing price as quoted on the Stock Exchange on the Last Trading Day.

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to the recent global economic environment and volatility of the stock market. In order to enhance the attractiveness of the Rights Issue, issuance of new shares by way of rights issue at a discount to the market price has been commonly adopted by listed issuers in Hong Kong. The Directors consider that, in order to enhance the attractiveness of the Rights Issue, the discount on the Subscription Price to the current market price of the Shares as proposed is appropriate. Each Qualifying Shareholder is entitled to subscribe for the Rights Shares at the same price in proportion to his/her/its shareholding in the Company held on the Record Date. The net price per Rights Share (i.e. Subscription Price less cost and expenses incurred in the Rights Issue) upon full acceptance of the relevant provisional allotment of Rights Shares will be approximately HK\$0.583.

Status of the Rights Shares

The Rights Shares, when allotted, issued and fully-paid, will rank pari passu with the then existing Shares in issue on the date of allotment of the Rights Shares in fully-paid form. Holders of such Rights Shares will be entitled to receive all future dividends and distributions which are declared after the date of allotment and issue of the Rights Shares.

Fractions of the Rights Shares

The Company will not provisionally allot fractions of Rights Shares in nil-paid form. All fractions of Rights Shares will be aggregated and all nil-paid Rights Shares arising from such aggregation will be sold in the market and, if a premium (net of expenses) can be achieved, the Company will keep the net proceeds for its own benefit. Any unsold fractions of Rights Shares will be made available for excess application.

Application for excess Rights Shares

Qualifying Shareholders are entitled to apply for any unsold entitlements of the Excluded Shareholders (see the paragraph headed "Excluded Shareholders" below), any unsold fractions of Rights Shares and any nil-paid Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders.

Applications may be made by completing the form of application for excess Rights Shares and lodging the same with a separate remittance for the excess Rights Shares. The Directors will allocate the excess Rights Shares (if any) at their discretion on a pro rata basis in proportion to the number of excess Rights Shares being applied for under each application. No reference will be made to the Rights Shares subscribed through applications by PAL or the existing number of Shares held by Qualifying Shareholders. No preference will be given to topping up odd lots to whole board lots.

Shareholders with their Shares held by a nominee company should note that the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, Shareholders should note that the aforesaid arrangement for allocation of excess Rights Shares will not be extended to ultimate beneficial owners individually. Shareholders with their Shares held by a nominee company are advised to consider whether they would like to arrange for the registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

For Shareholders whose Shares are held by their nominee(s) and who would like to have their names registered on the register of members of the Company, they must lodge all necessary document with the share registrar of the Company in Hong Kong for completion of the relevant registration by 4:30 p.m. on 7 July 2015.

Share certificates for the Rights Shares

Subject to the fulfillment of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares are expected to be posted to Shareholders who have accepted and applied for (where appropriate), and paid for the Rights Shares by 7 August 2015 at their own risk.

Qualifying Shareholders

The Company will send (i) the Rights Issue Documents to the Qualifying Shareholders; and (ii) the Prospectus, for information only, to the Excluded Shareholders.

To qualify for the Rights Issue, the Shareholders must be registered as members of the Company on the Record Date.

In order to be registered as a member of the Company on the Record Date, Shareholders must lodge any transfers of Shares (with the relevant share certificate(s)) with the Company's share registrar in Hong Kong by 4:30 p.m. on 7 July 2015. The last day of dealings in Shares on a cum-rights basis is therefore expected to be 3 July 2015. The Shares will be dealt with on an ex-rights basis from 6 July 2015.

The Company's share registrar in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712 – 1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

It is intended that the Company's register of members will be closed from 8 July 2015 to 10 July 2015, both dates inclusive, for the purpose of, among other things, establishing entitlements to the Rights Issue. No transfer of Shares will be registered during this period.

Excluded Shareholders

As at the date of this announcement, there was no Overseas Shareholder. If there are Overseas Shareholders on the Record Date, the Overseas Shareholders may not be eligible to take part in the Rights Issue as explained below.

The Directors will make enquiries, to be based on legal opinions provided by legal advisers if the Directors consider it necessary, as to whether the issue of Rights Shares to the Overseas Shareholders may contravene the applicable securities legislation of the relevant overseas places or the requirements of the relevant regulatory body or stock exchange.

If, after making such enquiry, the Directors are of the opinion that it would be necessary or expedient, on account either of the legal restrictions under the laws of the relevant place or any requirement of the relevant regulatory body or stock exchange in that place, not to offer the Rights Shares to such Overseas Shareholders, no provisional allotment of nil-paid Rights Shares or allotment of fully-paid Rights Shares will be made to such Overseas Shareholders. In such circumstances, the Rights Issue will not be extended to the Excluded Shareholders.

The Company will only send the Prospectus to the Excluded Shareholders for their information.

The Rights Issue Documents are not intended to be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong.

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholders to be sold in the open market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, of more than HK\$100 will be paid pro rata to the relevant Excluded Shareholders in Hong Kong dollars. The Company will retain individual amounts of HK\$100 or less for its own benefit.

Conditions of the Rights Issue

The Rights Issue is conditional upon the following conditions being fulfilled:

- (1) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of, and permission to deal in, all the Rights Shares (in their nil-paid and fully-paid forms);

- (2) the filing and registration of all documents relating to the Rights Issue, which are required to be filed or registered with the Registrar of Companies in Hong Kong in accordance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong);
- (3) the posting of the Rights Issue Documents to Qualifying Shareholders;
- (4) compliance with and performance of all the undertakings and obligations of the Company under the terms of the Underwriting Agreement;
- (5) compliance with and performance by the Committed Shareholder of all of its obligations and undertakings under the Irrevocable Undertaking; and
- (6) the increase of the Company's authorised share capital to HK\$400,000,000 divided into 4,000,000,000 Shares at the EGM.

None of the Company and the Underwriter may waive conditions (1), (2), (3), (5) and (6) set out above. The Underwriter may waive condition (4) set out above in whole or in part by written notice to the Company. If any of the conditions of the Rights Issue are not fulfilled or (in respect of condition (4), waived in whole or in part by the Underwriter) on or before the Latest Acceptance Time (or such later time and/or date as the Company and the Underwriter may determine in writing), the Underwriting Agreement shall terminate (save in respect of any rights and obligations which may accrue under the Underwriting Agreement prior to such termination) and neither the Company nor the Underwriter shall have any claim against the other party for costs, damages, compensation or otherwise and the Rights Issue will not proceed.

UNDERWRITING ARRANGEMENTS FOR THE RIGHTS ISSUE

(a) Irrevocable Undertaking

As at the date of this announcement, the Committed Shareholder, was interested in aggregate of 531,968,000 Shares, representing approximately 31.8% of the existing issued share capital of the Company.

The Committed Shareholder has irrevocably undertaken to the Company and the Underwriter, among other matters, that: (i) its Shares will remain registered in the same name until the close of business on the Record Date and will continue to have registered address in Hong Kong; (ii) it will subscribe or procure the subscription in full for its entitlement under the Rights Issue pursuant to the terms of the Rights Issue and lodge with the Company acceptance in respect of all the Rights Shares provisionally allotted to it, with payment in full; and (iii) it will not and will procure that companies controlled by it will not, during the period from immediately after the execution of the Underwriting Agreement and prior to or on the date the Underwriting Agreement becoming unconditional, dispose of or transfer the beneficial interests in any of the Shares beneficially owned by it.

Pursuant to the Rights Issue, the Committed Shareholder will be entitled to a maximum of 212,787,200 Rights Shares.

(b) Underwriting Agreement dated 10 June 2015

Issuer:	The Company
Underwriter:	VMS
Number of Underwritten Shares:	456,270,022 Rights Shares, being the total number of Rights Shares under the Rights Issue excluding 212,787,200 Rights Shares undertaken to be subscribed by the Committed Shareholder pursuant to its Irrevocable Undertaking
Commission:	3.5% of the aggregate Subscription Price of the Underwritten Shares

The Directors are of the view that the terms of the Underwriting Agreement are on normal commercial terms.

Termination of the Underwriting Agreement

A) The Underwriting Agreement contains provisions granting the Underwriter, by notice in writing to the Company, the right to terminate the Underwriting Agreement if prior to the Latest Time for Termination, any of the following happens:

- (1) in the reasonable opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:**
 - (a) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or**
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date thereof), of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or**

- (c) any material adverse change in the business or in the financial or trading position or prospects of the Group as a whole; or
 - (d) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out which would, in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
 - (e) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading of the Shares on the Stock Exchange due to exceptional financial circumstances or otherwise; or
- (2) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, and a change in currency conditions for the purpose of this paragraph includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs which in the reasonable opinion of the Underwriter makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (3) the Prospectus when published contains information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date of the Underwriting Agreement been publicly announced or published by the Company and which may in the reasonable opinion of the Underwriter is material to the Group as a whole upon completion of the Rights Issue and is likely to affect materially and adversely the success of the Rights Issue.

B) In addition to the above, the Underwriter and the Company further agree that the Underwriter shall be entitled by a notice in writing to the Company, served not later than 48 hours prior to the Latest Time for Acceptance, to terminate the Underwriting Agreement.

If the Underwriting Agreement is terminated by the Underwriter on or before the Latest Time for Termination pursuant to Section A as described above or 48 hours prior to the Latest Acceptance Time pursuant to Section B as described above, (as the case may be), or does not become unconditional, the Underwriting Agreement shall terminate (save in respect of any rights and obligations which may accrue under the Underwriting Agreement prior to such termination) and neither the Company nor the Underwriter shall have any claim against the other party for costs, damages, compensation or otherwise and the Rights Issue will not proceed.

WARNING OF THE RISK OF DEALING IN THE SHARES AND NIL-PAID RIGHTS SHARES

The Shares will be dealt in on an ex-rights basis from 6 July 2015. Dealings in the Rights Shares in the nil-paid form will take place from 20 July 2015 to 27 July 2015 (both days inclusive). If the conditions of the Rights Issue are not fulfilled and/or waived on or before the Latest Acceptance Time (or such later time and/or date as the Company and the Underwriter may determine in writing), or the Underwriting Agreement is terminated by the Underwriter, the Rights Issue will not proceed and the Rights Issue will lapse.

Any persons contemplating buying or selling Shares from the date of this announcement up to the date on which all the conditions of the Rights Issue are fulfilled or waived, and any dealings in the Rights Shares in their nil-paid form between 20 July 2015 to 27 July 2015 (both dates inclusive), bear the risk that the Rights Issue may not become unconditional or may not proceed.

Any Shareholders or other persons contemplating dealing in the Shares or nil-paid Rights Shares are recommended to consult their own professional advisers.

CHANGES IN SHAREHOLDING STRUCTURE

Set out below is the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after completion of the Rights Issue and assuming no Shareholders (other than the Committed Shareholder) have taken up rights entitlements and the maximum 456,270,022 Rights Shares are allocated to the Underwriter); and (iii) immediately after completion of the Rights Issue, assuming all Shareholders have taken up rights entitlements:

Name of Shareholder	As at the date of this announcement		Immediately after completion of the Rights Issue and assuming no Shareholders (other than the Committed Shareholder) have taken up rights entitlements and the maximum 456,270,022 Rights Shares are allocated to the Underwriter)		Immediately after completion of the Rights Issue, assuming all Shareholders have taken up rights entitlements	
	Shares	%	Shares	%	Shares	%
Substantial Shareholder						
<i>– Committed Shareholder</i>						
YY Holdings Limited	531,968,000 (Note)	31.8	744,755,200	31.8	744,755,200	31.8
Public						
– Others	1,140,675,059	68.2	1,140,675,059	48.7	1,596,945,081	68.2
– Underwriter	–	–	456,270,022	19.5	–	–
Sub-total of Public	1,140,675,059	68.2	1,596,945,081	68.2	1,596,945,081	68.2
Total:	1,672,643,059	100.00	2,341,700,281	100.00	2,341,700,281	100.00

Note: These shares are held by YY Holdings Limited, the entire issued share capital of which is held by YYT (PTC) Limited, the trustee of YY Trust, the discretionary object of which is a company wholly owned by Ms. Qian Yuanying (a director of the Company), the spouse of Mr. Jiang Quanlong (a director of the Company), and her sons. Ms. Qian Yuanying is a founder of YY Trust within the meaning under Part XV of the Securities and Futures Ordinance. Mr. Jiang Quanlong and Ms. Qian Yuanying are also the directors of YY Holdings Limited.

Shareholders and public investors should note that the above shareholding changes are for illustration purposes only and the actual changes in the shareholding structure of the Company upon completion of the Rights Issue are subject to various factors, including the results of acceptance of the Rights Issue.

REASONS FOR THE RIGHTS ISSUE AND THE USE OF PROCEEDS

The net proceeds from the Rights Issue after deducting for expenses are estimated to be approximately HK\$390.0 million. The Company intends to use this amount for general working capital of the Group (including existing and potential businesses). The Rights Issue will enlarge the capital base of the Company and the Directors consider that it will facilitate the long-term development of the Company. Taking into account the fact that the net proceeds from the Rights Issue would improve the Group’s gearing position and enhance the Company’s capital base, the Directors are of the view that the Rights Issue is in the interests of the Group and the Shareholders as a whole.

EXPECTED TIMETABLE FOR THE RIGHTS ISSUE

The expected timetable for the Rights Issue set out below is indicative only and it has been prepared on the assumption that all the conditions of the Rights Issue will be fulfilled.

The expected timetable for the Rights Issue is set out below:

Hong Kong time

Latest time to lodge proxy form for the EGM	2:30 p.m. on 30 June 2015
Date of EGM for increase of authorised share capital of the Company	2:30 p.m. on 2 July 2015
Announcement of poll results of EGM	2 July 2015
Last day of dealing in Shares on a cum-rights basis	4:00 p.m. on 3 July 2015
First day of dealing in Shares on an ex-rights basis	9:00 a.m. on 6 July 2015
Latest time for lodging transfer of Shares in order to qualify for the Rights Issue	4:30 p.m. on 7 July 2015
Register of members of the Company closes	8 to 10 July 2015 (both dates inclusive)

Record Date for Rights Issue	10 July 2015
Despatch of the Rights Issue Documents.	16 July 2015
First day of dealings in nil-paid Rights Shares	9:00 a.m. on 20 July 2015
Latest time for splitting of nil-paid Rights Shares.	4:30 p.m. on 22 July 2015
Last day of dealings in nil-paid Rights Shares	4:00 p.m. on 27 July 2015
Latest time for acceptance of and payment for Rights Shares and application for excess Rights Shares.	4:00 p.m. on 30 July 2015
Latest time for the Rights Issue to become unconditional	4:00 p.m. on 31 July 2015
Announcement of results of acceptance of and excess applications for the Rights Issue	6 August 2015
Despatch of refund cheques in respect of unsuccessful or partially unsuccessful excess applications for excess Rights Shares on or before.	7 August 2015
Despatch of certificates for fully-paid Rights Shares on or before	7 August 2015
Commencement of dealings in fully-paid Rights Shares	9:00 a.m. on 10 August 2015

APPLICATION FOR LISTING

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms. The nil-paid Rights Shares shall have the same board lot size as the Shares, i.e. 2,000 Shares in one board lot.

Dealings in the Rights Shares in their nil-paid and fully-paid forms will be subject to the payment of stamp duty in Hong Kong.

FUND RAISING EXERCISE OF THE COMPANY DURING THE PAST 12 MONTHS

The Company has not conducted other equity fund raising exercise in the 12 months immediately preceding the date of this announcement.

LISTING RULES IMPLICATIONS

As the Rights Issue will increase the issued share capital and the market capitalisation of the Company by not more than 50% within the 12-month period immediately preceding the date of this announcement, the Rights Issue is not conditional on approval by the Shareholders.

GENERAL

The Company is an investment holding company and the Group is principally engaged in the manufacturing and sale of rare earth products and refractory product.

The Company will despatch the Rights Issue Documents to each of the Qualifying Shareholders and, for information only, the Prospectus to each of the Excluded Shareholders (if any) on or about 16 July 2015.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

The existing authorised share capital of the Company is HK\$200,000,000 divided into 2,000,000,000 Shares. As at the date of this announcement, 1,672,643,059 Shares were in issue. In order to provide the Company with flexibility for future development and to facilitate the Rights Issue, the Board proposes to increase the authorised share capital of the Company to HK\$400,000,000 divided into 4,000,000,000 Shares by the creation of an additional 2,000,000,000 Shares. The proposed increase in authorised share capital is subject to the approval by the Shareholders by way of an ordinary resolution at the EGM.

A circular containing, among other matters, details of the proposed increase in authorised share capital, together with a notice of EGM and the related proxy form, will be despatched to the Shareholders on or about 15 June 2015.

DEFINITIONS

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

“Board”	the board of Directors
“Business Day”	a day (other than a Saturday) on which banks generally are open for business in Hong Kong
“Committed Shareholder”	YY Holdings Limited, which is interested in 531,968,000 Shares as at the date of this announcement

“Company”	China Rare Earth Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to approve the proposed increase of authorised share capital of the Company, which is to be held on 2 July 2015
“Excluded Shareholders”	the Overseas Shareholders whom the Board, after making enquiries, considers it necessary or expedient not to offer the Rights Shares to on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Irrevocable Undertaking”	the irrevocable undertaking dated 10 June 2015 given by the Committed Shareholder in favour of the Company and the Underwriter
“Last Trading Day”	10 June 2015, being the last trading day of the Shares immediately before the date of this announcement
“Latest Acceptance Time”	4:00 p.m. on 30 July 2015 or such later time as may be agreed between the Company and the Underwriter, being the latest time for acceptance of the offer of Rights Shares
“Latest Time for Termination”	4:00 p.m. on the first Business Day after the Latest Acceptance Time, being the latest time by which the Underwriter may terminate the Underwriting Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Overseas Shareholder(s)”	the Shareholders with registered addresses (as shown in the register of members of the Company on the Record Date) which are outside Hong Kong
“Prospectus”	the prospectus to be issued by the Company in relation to the Rights Issue
“Qualifying Shareholders”	the Shareholder(s), other than the Excluded Shareholders, whose name(s) appear(s) on the register of members of the Company on the Record Date
“Record Date”	10 July 2015 or such other date as may be agreed between the Company and the Underwriter
“Rights Issue”	the proposed issue of Rights Shares by the Company on the basis of 2 Rights Shares for every 5 existing Shares to the Qualifying Shareholders by way of rights or to holders of nil-paid Rights Shares at the Subscription Price, pursuant to the terms and conditions of the issue
“Rights Issue Documents”	the Prospectus, the provisional allotment letter and the form of application for excess Rights Shares
“Rights Share(s)”	669,057,222 new Shares to be issued by the Company pursuant to the Rights Issue
“Share(s)”	the ordinary shares with par value of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.60 per Rights Share
“Underwriting Agreement”	the underwriting agreement dated 10 June 2015 entered into between the Company and the Underwriter in relation to the Rights Issue
“Underwritten Shares”	456,270,022 Rights Shares, pursuant to the Underwriting Agreement

“VMS” or “Underwriter”	VMS Securities Limited, a corporation licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance), and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong); being the underwriter of the Underwriting Agreement
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“%”	per cent.

On behalf of the Board
China Rare Earth Holdings Limited
Jiang Quanlong
Chairman

Hong Kong, 10 June 2015

As at the date of this announcement, the Board comprises the following members:

Executive Directors:

Jiang Quanlong
Qian Yuanying
Jiang Cainan

Independent non-executive Directors:

Huang Chunhua
Jin Zhong
Wang Guozhen