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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
IN RELATION TO THE DISPOSAL OF
HAI CHENG XINWEI LEESHING MAGNESIUM RESOURCES CO., LTD.***

The Board announces that, on 6 July 2018, the Vendor, a wholly-owned subsidiary of the Company, the Purchaser and the Target Company entered into the Agreement, pursuant to which the Vendor has agreed to sell, and the Purchaser has agreed to purchase the Sale Equity. Upon Completion, the Target Company will cease to be a subsidiary of the Company, and the financial results of the Target Company will no longer be consolidated into the financial statements of the Group.

As one or more of the applicable percentage ratios (within the meaning of the Listing Rules) for the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction for the Company under the Listing Rules.

INTRODUCTION

The Board announces that, on 6 July 2018, the Vendor, a wholly-owned subsidiary of the Company, the Purchaser and the Target Company entered into the Agreement, pursuant to which the Vendor has agreed to sell, and the Purchaser has agreed to purchase the Sale Equity, which represented 100% equity interest of the Target Company.

THE AGREEMENT

Date

6 July 2018

Parties

- (i) the Vendor, as vendor;
- (ii) the Purchaser, as purchaser; and
- (iii) the Target Company.

The Vendor is a direct wholly-owned subsidiary of the Company. Before Completion, the Vendor is the registered holder of 100% equity interest of the Target Company.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, each of the Purchaser and its ultimate beneficial owner(s) is an Independent Third Party.

Subject matter

Pursuant to the Agreement, the Vendor has agreed to sell, and the Purchaser has agreed to purchase the Sale Equity, subject to the terms and conditions under the Agreement.

The Target Company is a wholly-owned foreign enterprise registered under the laws of the PRC with registered capital of US\$3.5 million, all being paid-up as at the date of this announcement. The Target Company is wholly owned by the Vendor before Completion.

Consideration

Pursuant to the Agreement, the Consideration was RMB28.0 million (equivalent to approximately HK\$33.3 million). The Consideration shall be settled by the Purchaser by cash within five Business Days from the date of the Agreement.

The Consideration as well as the method of settlement of the Consideration was arrived at after arm's length negotiations between the Vendor and the Purchaser with reference to the estimated net asset value of the Target Company as at 30 June 2018 and the business prospects of the Target Company.

The reasons for the Disposal and the potential benefit which the Disposal may bring to the Company are set out in the paragraph headed "Reasons for and the benefits of the Disposal" below. The Directors consider the terms of the Disposal, including the Consideration, to be fair and reasonable, on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

Completion

The Disposal is not subject to any conditions precedent. The Agreement shall become effective upon signing of the Agreement by the Target Company, the Vendor and the Purchaser.

The date of Completion shall be the day when the Equity Transfer Application is completed, being (i) the day when the notice of approval in respect of the Equity Transfer Application is issued by the relevant administration; or (ii) the day when the new business licence is issued (whichever is earlier).

Upon Completion, the Target Company will cease to be a subsidiary of the Company, and the financial results of the Target Company will no longer be consolidated into the financial statements of the Group.

Upon Completion, it is estimated that the Group will have a potential gain of less than RMB1.0 million on the Disposal comparing the consideration of the Disposal and the estimated net asset value of the Target Company as at 30 June 2018.

INFORMATION ON THE GROUP, THE VENDOR AND THE PURCHASER

The Group is principally engaged in the manufacture and sale of rare earth and refractory products. The Vendor is an investment holding company.

To the best knowledge of the Directors, the Purchaser is principally engaged in manufacturing and sale of magnesium products and refractory products.

INFORMATION OF THE TARGET COMPANY

The Target Company is a wholly-owned foreign enterprise registered under the laws of the PRC with registered capital of US\$3.5 million, all being paid-up as at the date of this announcement. The Target Company is wholly owned by the Vendor before Completion, and is principally engaged in the manufacturing and sale of magnesium products.

Set out below is the audited financial information of the Target Company for the two years ended 31 December 2017:

	For the year ended	
	31 December 2016	31 December 2017
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(approximately)</i>	<i>(approximately)</i>
Profit/(loss) before tax	5,875	(16,994)
Profit/(loss) after tax	5,064	(16,994)

The audited net assets of the Target Company as at 31 December 2017 amounted to approximately RMB36.1 million.

REASONS FOR AND THE BENEFITS OF THE DISPOSAL

As set out in the 2017 annual report of the Company, the Group was adversely affected by the large-scale environmental recovery and rectification initiative in the PRC during the year ended 31 December 2017. The Group's high purity magnesium grains production line was severely affected. Albeit the efforts of the Group to revamp its eco-friendly dedusting desulphurisation facility and seeking expert advice on the revamp, the related operations were still deemed not meeting the required standards after

inspection by different PRC government authorities. During the year ended 31 December 2017, such production line was suspended from operation most of the time. As a result, the sale of the Group's magnesium grains products in 2017 have dropped significantly and the Target Company incurred a loss before tax of approximately RMB17 million for the year ended 31 December 2017.

The Directors consider that the outlook of the business of the Target Company is uncertain and the Disposal can provide a good opportunity for the Group to reallocate its resources and to deploy more resources in the development of its rare earth and refractory products business. Therefore, the Directors consider the Disposal is in the interest of the Group and the Shareholders as a whole.

The proceeds from the Disposal will be used as general working capital of the Company.

IMPLICATION UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (within the meaning of the Listing Rules) for the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction for the Company under the Listing Rules.

DEFINITIONS

“Agreement”	the equity transfer agreement in relation to the Sale Equity entered into between the Vendor, the Purchaser and the Target Company on 6 July 2018
“Board”	the board of Directors
“Business Day(s)”	any day(s) excluding Saturday(s), Sunday(s), statutory holiday(s) in the PRC and any day(s) which is not a working day for an authorised bank in the PRC
“Company”	China Rare Earth Holdings 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
“Completion”	completion of the sale and purchase of the Sale Equity
“Consideration”	the consideration payable by the Purchaser under the Agreement, being RMB28.0 million (equivalent to approximately HK\$33.3 million)
“Director(s)”	the directors of the Company
“Disposal”	the disposal of the Sale Equity by the Vendor to the Purchaser in accordance with the terms of the Agreement

“Equity Transfer Application”	the arrangement by the Target Company, the Vendor and the Purchaser for the necessary filings to the relevant administration for industry and commerce in the PRC in relation to the change of holder of equity interest in the Target Company after settlement of the Consideration
“Group”	collectively, the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	person who is independent of and not connected with the Company and not connected with the directors, chief executive and substantial shareholders of the Company or any of its subsidiaries, or any of their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China which, for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	a limited liability company established in the PRC and an Independent Third Party
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Equity”	being 100% equity interest in the Target Company
“Shareholders”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Hai Cheng Xinwei Leeshing Magnesium Resources Co., Ltd.* (海城新威利成鎂資源有限公司), a wholly-owned foreign enterprise registered under the laws of the PRC and was wholly owned by the Vendor before Completion

“US\$”	United States dollars, the lawful currency of the United States of America
“Vendor”	Lee Shing Holdings Limited, a wholly-owned subsidiary of the Company incorporated in the British Virgin Islands
“%”	per cent.

On behalf of the Board
China Rare Earth Holdings Limited
Qian Yuanying
Chairman

Hong Kong, 6 July 2018

As at the date of this announcement, the Board consists of Ms. Qian Yuanying, Mr. Jiang Quanlong, Mr. Jiang Dawei and Mr. Jiang Cainan as executive Directors and, Mr. Huang Chunhua, Mr. Jin Zhong and Mr. Wang Guozhen as independent non-executive Directors.

For the purpose of this announcement, unless otherwise specified, conversions of HK\$ into RMB are based on the approximate exchange rate of HK\$1.00 to RMB0.84.

* *For identification purposes only*