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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 DISPOSAL OF 100% EQUITY INTERESTS IN SUBSIDIARY

THE EQUITY TRANSFER AGREEMENT

The Board is pleased to announce that on 15 December 2023 (after trading hours), (i) (a) Yixing Leeshing Refractory, a wholly-owned subsidiary of the Company; and (b) Wuxi Xinwei Ceramics, a wholly-owned subsidiary of the Company (as vendors); and (ii) Yixing Guoye, an Independent Third Party (as purchaser), entered into the Equity Transfer Agreement pursuant to which Yixing Leeshing Refractory and Wuxi Xinwei Ceramics have conditionally agreed to dispose of, and Yixing Guoye has conditionally agreed to acquire, 100% equity interests in Haicheng Suhai Magnesium at the consideration of RMB29.5 million (equivalent to approximately HK\$32.5 million).

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios as defined in the Listing Rules in respect of the Disposal exceeds 5% but is less than 25%, the transaction contemplated under the Equity Transfer Agreement constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. Accordingly, the entering into of the Equity Transfer Agreement is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

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The principal terms of the Equity Transfer Agreement are as follows:

Date: 15 December 2023 (after trading hours)

Parties: (1) Yixing Leeshing Refractory, as vendor;
(2) Wuxi Xinwei Ceramics, as vendor;
(3) Yixing Guoye, as purchaser; and
(4) Haicheng Suhai Magnesium, as target company.

As at the date of this announcement, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Yixing Guoye, and its ultimate beneficial owner, being Jiang Xiaohong (蔣小洪) (who holds the entire equity interests in Yixing Guoye), is an Independent Third Party.

Subject matter

Pursuant to the Equity Transfer Agreement, (a) Yixing Leeshing Refractory; and (b) Wuxi Xinwei Ceramics have conditionally agreed to dispose of; and (ii) Yixing Guoye has conditionally agreed to acquire 100% of the equity interests in Haicheng Suhai Magnesium.

Consideration

The consideration of RMB29.5 million (equivalent to approximately HK\$32.5 million) was determined after arm's length negotiations among the parties to the Equity Transfer Agreement on normal commercial terms, taking into consideration of, among other things, (i) the net asset value of Haicheng Suhai Magnesium as at 31 August 2023; and (ii) other reasons for and benefits of the Equity Transfer Agreement as set out in the section headed "Reasons for and benefits of the Equity Transfer Agreement" below.

The consideration shall be paid by Yixing Guoye to a bank account designated by Yixing Leeshing Refractory and Wuxi Xinwei Ceramics in the following manner:

- (1) RMB17.7 million (equivalent to HK\$19.5 million) shall be paid within three days after the date of the Equity Transfer Agreement; and
- (2) RMB11.8 million (equivalent to HK\$13.0 million) shall be paid on completion of the Disposal or before 30 December 2023 (whichever is earlier).

Completion

Pursuant to the terms of the Equity Transfer Agreement, completion of the Disposal shall be subject to (i) Yixing Guoye paying the consideration of RMB29.5 million (equivalent to approximately HK\$32.5 million) in full; and (ii) completion of all necessary equity transfer registration procedures.

Within 10 days of signing of the Equity Transfer Agreement, the parties must submit all necessary equity transfer registration-related documentations to the relevant authorities.

Financial information of Haicheng Suhai Magnesium

The net asset value of Haicheng Suhai Magnesium as at 31 August 2023 was approximately RMB28.7 million (equivalent to approximately HK\$31.6 million).

The unaudited financial information of Haicheng Suhai Magnesium for the two years ended 31 December 2022 is set out below:

	For the year ended 31 December			
	2021		2022	
	<i>RMB'000</i>	<i>HK\$'000</i>	<i>RMB'000</i>	<i>HK\$'000</i>
Net profit/(loss)				
(before taxation)	2,698	2,968	(5,560)	(6,116)
Net profit/(loss) (after taxation)	2,042	2,246	(5,560)	(6,116)

FINANCIAL IMPACT OF THE DISPOSAL

Upon completion of the Disposal, the Group will cease to hold any equity interests in Haicheng Suhai Magnesium and Haicheng Suhai Magnesium will no longer be a subsidiary of the Group. Accordingly, the financial information of Haicheng Suhai Magnesium will cease to be consolidated in the accounts of the Group.

It is estimated that, upon completion of the Disposal, the Company will record an unaudited gain on Disposal of approximately RMB0.8 million (equivalent to approximately HK\$0.9 million), being the difference between the consideration received for the Disposal and the net asset value of Haicheng Suhai Magnesium as at 31 August 2023. Shareholders should note that the actual amount of gain and the financial effect as a result of the Disposal to be recorded will (i) depend on the Group's relevant financial data on Haicheng Suhai Magnesium as at the date of completion of the Disposal; and (ii) be subject to the review and final audit by the auditor of the Company. As such, the actual gain on Disposal may differ from the estimated gain on Disposal as set out above.

USE OF PROCEEDS

The Group intends to use the net proceeds from the Disposal as general working capital for daily operation.

INFORMATION ON THE GROUP, YIXING LEESHING REFRACTORY AND WUXI XINWEI CERAMICS

The Group is principally engaged in the manufacturing and sale of rare earth and refractory products.

Yixing Leeshing Refractory is principally engaged in the manufacturing and sale of refractory products.

Wuxi Xinwei Ceramics is principally engaged in the manufacturing and sale of high temperature ceramic products.

INFORMATION ON YIXING GUOYE

Yixing Guoye is a company established in the PRC with limited liability in 2007. As at the date of this announcement, 100% of equity interests in Yixing Guoye is held by Jiang Xiaohong (蔣小洪), an Independent Third Party. It is principally engaged in the sale of refractory products, and furnace and kiln engineering construction.

REASONS FOR AND BENEFITS OF THE EQUITY TRANSFER AGREEMENT

Haicheng Suhai Magnesium is located in Northeastern China, an area that is in need of economic revitalisation. It is principally engaged in the manufacturing and sale of magnesium grains products, which falls in the Group's refractory materials business. With the implementation of measures for economic revitalisation in Northeastern China, it is inevitable that less competitive enterprises will be phased out. Further, as disclosed in the 2022 annual report of the Company, there has been increasingly tightened control over the integration and exploitation policies of magnesite mines, and the magnesium grains business has ceased to be profitable. Pursuant to the unaudited management accounts of Haicheng Suhai Magnesium, it has recorded a net loss for the eight months ended 31 August 2023. Going forward, the Group plans to gradually eliminate less competitive enterprises from its business portfolio, concentrate on its strengths, and improve the Group's profitability.

The Directors (including the independent non-executive Directors) have confirmed that the terms of the Equity Transfer Agreement are fair and reasonable, are on normal commercial terms, and are in the interests of the Company and the Shareholders as a whole.

None of the Directors have a material interest in the Equity Transfer Agreement or was required to abstain from voting in respect of the Board resolutions to approve the Equity Transfer Agreement pursuant to the articles of association of the Company.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios as defined in the Listing Rules in respect of the Disposal exceeds 5% but is less than 25%, the transaction contemplated under the Equity Transfer Agreement constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. Accordingly, the entering into of the Equity Transfer Agreement is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

“Board”	the board of Directors
“Company”	China Rare Earth Holdings Limited, a company incorporated in the Cayman Islands and the issued Shares of which are listed on the Main Board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of 100% equity interests in Haicheng Suhai Magnesium pursuant to the Equity Transfer Agreement

“Equity Transfer Agreement”	the equity transfer agreement dated 15 December 2023 entered into between (i) (a) Yixing Leeshing Refractory; and (b) Wuxi Xinwei Ceramics (as vendors); and (ii) Yixing Guoye (as purchaser), in relation to the transfer of all of the equity interests of Haicheng Suhai Magnesium from Yixing Leeshing Refractory and Wuxi Xinwei Ceramics to Yixing Guoye
“Group”	the Company and its subsidiaries
“Haicheng Suhai Magnesium” or “Subsidiary”	Haicheng City Suhai Magnesium Ore Co., Ltd.* (海城市蘇海鎂礦有限公司), a company established in the PRC and a wholly-owned subsidiary of the Company as at the date of this announcement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of, and not connected with, the Company and its connected persons within the meaning ascribed to such term in the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Wuxi Xinwei Ceramics”	Wuxi Xinwei High Temperature Ceramics Co., Ltd.* (無錫新威高溫陶瓷有限公司), a company established in the PRC and a wholly-owned subsidiary of the Company as at the date of this announcement

“Yixing Guoye”	Yixing Guoye Kiln Engineering Co., Ltd.* (宜興國冶窯爐工程有限公司), a company established in the PRC and an Independent Third Party as at the date of this announcement
“Yixing Leeshing Refractory”	Yixing Xinwei Leeshing Refractory Materials Co., Ltd.* (宜興新威利成耐火材料有限公司), a company established in the PRC and a wholly-owned subsidiary of the Company as at the date of this announcement
“%”	per cent

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

Hong Kong, 15 December 2023

For the purpose of this announcement, unless otherwise specified, conversions of RMB into HK\$ are based on the approximate exchange rate of RMB1.00 to HK\$1.10

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. Dou Xuehong as independent non-executive Directors.

* *For identification purposes only*