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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 SILVER MILE HOLDINGS LIMITED

The Board announces that, on 22 December 2017 (after trading hours), the Vendor, a wholly-owned subsidiary of the Company, and the Purchaser entered into the Agreement, pursuant to which the Vendor has agreed to sell, and the Purchaser has agreed to purchase the Sale Shares, which represented the entire issued share capital of the Target Company. Completion has taken place upon signing of the Agreement, and each of the Target Company and the Project Company has ceased to be a subsidiary of the Company, and the financial results of the Target Group 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 22 December 2017 (after trading hours), the Vendor, a wholly-owned subsidiary of the Company, and the Purchaser entered into the Agreement, pursuant to which the Vendor has agreed to sell, and the Purchaser has agreed to purchase the Sale Shares, which represented the entire issued share capital of the Target Company.

THE AGREEMENT

Date

22 December 2017

Parties

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

The Vendor is an indirect wholly-owned subsidiary of the Company. Before Completion, the Vendor is the registered holder of 100% of the issued share capital of the Target Company.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Purchaser 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 Shares, which represented the entire issued share capital of the Target Company, subject to the terms and conditions under the Agreement.

The Target Company is a limited liability company incorporated under the laws of Hong Kong. The Target Company has an issued and paid-up share capital of HK\$1.00 comprising one ordinary share of HK\$1.00, which was beneficially owned by the Vendor before Completion. As at the date of this announcement, the Target Company held 100% equity interest in the Project Company.

Consideration

The consideration for the Disposal was HK\$500,000. The consideration for the Disposal shall be settled by the Purchaser to the Vendor in cash or cashier order.

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser with reference to the continuous loss making performance since 2010, and net liabilities position of the Target Group. The continuous loss making position of the Target Group was mainly due to decrease in demand and related prices for the Target Group's products. Despite the Group's effort to turn around the business performance of the Target Group by streamlining its production process to increase efficiency and reduce costs, the losses before tax reported by the Target Group over the last two financial years still amounted to approximately HK\$74,954,000 and HK\$16,930,000 for the year ended 31 December 2015 and 2016, respectively; and the losses after tax reported by the Target Group over the last two financial years still amounted to approximately HK\$74,888,000 and HK\$16,779,000 for the years ended 31 December 2015 and 2016, respectively. Unless the Group is able to materially improve the performance of the Target Group, it may be desirable to sell the Target Group to enable the Group to reallocate its resources to its rare earth and refractory materials business.

The Directors consider the terms of the Disposal, including the consideration, to be fair and reasonable and 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. Pursuant to the Agreement, Completion shall take place at the same time with the signing of the Agreement. Completion has taken place upon signing of the Agreement, and each of the Target Company and the Project Company has ceased to be a subsidiary of the Company, and the financial results of the Target Group will no longer be consolidated into the financial statements of the Group.

INFORMATION ON THE GROUP

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

INFORMATION OF THE TARGET COMPANY AND THE PROJECT COMPANY

The Target Company is a limited liability company incorporated under the laws of Hong Kong. As at the date of this announcement, the Target Company held 100% equity interest in the Project Company.

The Project Company is a limited liability company established in the PRC and has registered capital of EUR14,500,000 (equivalent to approximately HK\$133,835,000) as at the date of this announcement. As at the date of this announcement, the Target Company was an investment holding company, while the Project Company was engaged in the manufacturing and sale of fluorescent products.

Set out below is the unaudited consolidated financial information of the Target Group for the two years ended 31 December 2016:

	For the year ended	
	31 December 2015	31 December 2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(approximately)</i>	<i>(approximately)</i>
Loss before tax	74,954	16,930
Loss after tax	74,888	16,779

The unaudited consolidated net liabilities of the Target Group as at 30 November 2017 amounted to approximately HK\$144,957,000.

REASONS FOR THE DISPOSAL

Due to a decrease in demand for fluorescent products of the Group during the past few years, the Target Group recorded consolidated losses before tax of approximately HK\$74,954,000 and HK\$16,930,000 for the year ended 31 December 2015 and 2016, respectively; and consolidated losses after tax of approximately HK\$74,888,000 and HK\$16,779,000 for the years ended 31 December 2015 and 2016, respectively.

The Board considers that the outlook of the business of the Target Group is uncertain and the demand and related prices for the Target Group's products are shrinking, the Group's continuous investment in the Project Company may not create strategic value to the Group. The Disposal provides 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.

Taking into consideration of the aforesaid, the Directors consider that the terms of the Disposal are fair and reasonable, are on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

GENERAL

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 share transfer agreement in relation the Sale Shares entered into between the Vendor and the Purchaser on 22 December 2017
“Board”	the board of Directors
“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 Shares
“Director(s)”	the directors of the Company
“Disposal”	the disposal of the Sale Shares by the Vendor to the Purchaser in accordance with the terms of the Agreement

“EUR”	Euro, the lawful currency of the European Union
“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
“Project Company”	宜興銀茂熒光材料有限公司 (Yixing Silver Mile Fluorescent Materials Co., Ltd.*), a limited liability company established in the PRC and a wholly-owned subsidiary of the Target Company
“Purchaser”	Wang Xiang (王翔), a PRC individual and an Independent Third Party
“Sale Shares”	being the entire issued share capital of the Target Company
“Shareholders”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Silver Mile Holdings Limited, a limited liability company incorporated in Hong Kong and was beneficially owned by the Vendor before Completion
“Target Group”	the Target Company and the Project Company
“Vendor”	Lee Shing Holdings Limited, a wholly-owned subsidiary of the Company

“%”

per cent.

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

Hong Kong, 22 December 2017

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. Wang Guozhen, Mr. Huang Chunhua and Mr. Jin Zhong as independent non-executive Directors.

For ease of reference, sums in EUR in this announcement are translated at the rate EUR1.0 = HK\$9.23. This does not mean that HK\$ could be converted into EUR, or vice versa, based on such exchange rate.

* *For identification purposes only*