
THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this prospectus or as to the action you should take, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in the Company, you should at once hand the Prospectus Documents to the purchaser or the transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

A copy of each of the Prospectus Documents, having attached thereto the documents specified in the paragraph headed “Documents delivered to the Registrar of Companies” in Appendix III to this prospectus, have been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (WUMP) Ordinance. The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of any of the Prospectus Documents.

Dealings in the Rights Shares in their nil-paid and fully-paid forms may be settled through CCASS established and operated by HKSCC. You should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser for details of those settlement arrangements and how such arrangements may affect your rights and interests.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from their respective commencement dates of dealings in the Rights Shares on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of any of the Prospectus Documents, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of any of the Prospectus Documents.



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)

**RIGHTS ISSUE OF 669,057,222 RIGHTS SHARES
AT THE SUBSCRIPTION PRICE OF HK\$0.60 EACH
ON THE BASIS OF TWO RIGHTS SHARES
FOR EVERY FIVE EXISTING SHARES HELD ON THE RECORD DATE**

Underwriter of the Rights Issue



VMS Securities Limited

Capitalised terms used in this cover shall have the same meanings as those defined in this prospectus.

The latest time for acceptance of and payment for the Rights Shares is 4:00 p.m. on Thursday, 30 July 2015. The procedures for acceptance and payment or transfer of the Rights Shares and application and payment for excess Rights Shares are set out on pages 11 to 13 of this prospectus.

The Underwriting Agreement in respect of the Rights Issue contains provisions entitling the Underwriter by notice in writing to the Company to terminate the Underwriting Agreement on the occurrence of certain events including force majeure. These events are set out in the section headed “Termination of the Underwriting Agreement” on pages 5 to 6 of this prospectus.

Shareholders should note that the existing Shares have been dealt in on an ex-rights basis from Monday, 6 July 2015. The Rights Shares in their nil-paid form will be dealt in from Monday, 20 July 2015 to Monday, 27 July 2015 (both days inclusive). If prior to the Latest Time for Termination, the Underwriter terminates the Underwriting Agreement or if any of the other conditions of the Rights Issue as set out in the paragraphs headed “Conditions of the Rights Issue” contained in this prospectus is not fulfilled or waived (as applicable), the Rights Issue will not proceed.

Any dealings in the Shares up to the date on which all the conditions of the Rights Issue are fulfilled and the date on which the Underwriter’s right of termination of the Underwriting Agreement ceases, will accordingly bear the risk that the Rights Issue may not become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing the Shares who is in any doubt about his/her/its position is recommended to consult his/her/its own professional adviser.

16 July 2015

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EXPECTED TIMETABLE

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

2015

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

All times and dates in this prospectus refer to Hong Kong local times and dates.

Dates or deadlines specified in this prospectus are indicative only and may be varied by agreement between the Company and the Underwriter. Any consequential changes to the expected timetable will be published or notified to the Shareholders as and when appropriate.

EXPECTED TIMETABLE

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES AND FOR APPLICATION AND PAYMENT FOR EXCESS RIGHTS SHARES

The latest time for acceptance of and payment for the Rights Shares and application and payment for excess Rights Shares will not take place at the time indicated above if there is a tropical cyclone warning signal number 8 or above, or a “black” rainstorm warning:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the Latest Time for Acceptance. Instead the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Latest Time for Acceptance. Instead the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m..

If the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares does not take place on the Latest Time for Acceptance, the dates mentioned in this section may be affected. An announcement will be made by the Company in such event as soon as practicable.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms shall have the following meanings:

“Announcement”	the announcement of the Company dated 10 June 2015 relating to, inter alia, the Rights Issue
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (excluding Saturday and Sunday and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for general business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Committed Shareholder”	YY Holdings Limited, which is interested in 531,968,000 Shares as at the Latest Practicable Date
“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong, as amended or supplemented from time to time
“Company”	China Rare Earth Holdings Limited, a company incorporated in the Cayman Islands, with limited liability, the ordinary shares of which are listed on the Main Board of the Stock Exchange
“connected person”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	director(s) of the Company
“EAF(s)”	the form(s) of application for use by the Qualifying Shareholders who wish to apply for excess Rights Shares in connection with the Rights Issue
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	third parties independent of and not connected (as defined under the Listing Rules) with the Company and connected person(s) of the Company
“Irrevocable Undertaking”	the irrevocable undertaking dated 10 June 2015 executed by YY Holdings Limited in favour of the Company and the Underwriter
“Last Trading Day”	10 June 2015, being the last trading day for the Shares on the Stock Exchange before the publication of the Announcement
“Latest Practicable Date”	13 July 2015, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained herein
“Latest Time for Acceptance”	4:00 p.m. on Thursday, 30 July 2015 or such other time as may be agreed between the Company and the Underwriter, being the latest time for acceptance of the offer of and payment for the Rights Shares
“Latest Time for Termination”	4:00 p.m. on Friday, 31 July 2015, being the first Business Day after the Latest Time for Acceptance, or such later time as may be agreed between the Company and the Underwriter
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Non-Qualifying Shareholder(s)”	those Shareholder(s) whose name(s) appeared on the register of members of the Company on the Record Date and whose address(es) as shown was/were outside Hong Kong, whom the Directors, after making enquiries, consider it necessary, or expedient not to offer the Rights Issue to such Shareholder(s) 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
“PAL(s)”	the provisional allotment letter(s) proposed to be issued to the Qualifying Shareholders in connection with the Rights Issue
“Posting Date”	16 July 2015 or such other date as the Underwriter may agree in writing with the Company, being the date of despatch of the Prospectus Documents
“Prospectus”	this prospectus issued by the Company containing details of the Rights Issue

DEFINITIONS

“Prospectus Documents”	the Prospectus, PAL and EAF
“Qualifying Shareholder(s)”	Shareholder(s), whose name(s) appear(s) on the register of members of the Company on the Record Date, other than the Non-Qualifying Shareholder(s)
“Record Date”	10 July 2015 or such other date as may be agreed between the Company and the Underwriter, being the date for determining entitlements of Shareholders to participate in the Rights Issue
“Registrar”	Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong
“Rights Issue”	the proposed issue of Rights Shares by way of rights on the basis of two Rights Shares for every five existing Shares held on the Record Date at the Subscription Price pursuant to the Prospectus Documents and as contemplated under the Underwriting Agreement
“Rights Share(s)”	669,057,222 Shares to be allotted and issued by the Company under the Rights Issue
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Shares
“Specified Event”	an event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which render any of the warranties contained in the Underwriting Agreement untrue, inaccurate or misleading
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.60 per Rights Share
“Takeovers Code”	The Code on Takeovers and Mergers
“Underwriter”	VMS Securities Limited, a licensed corporation to carry out business in 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 (Cap 571 of the Laws of Hong Kong), the principal business of which includes underwriting of securities

DEFINITIONS

“Underwriting Agreement”	the underwriting agreement entered into between the Company and the Underwriter on 10 June 2015 in relation to the underwriting arrangement in respect of the Rights Issue
“Underwritten Shares”	456,270,022 Rights Shares underwritten by the Underwriter pursuant to the terms of the Underwriting Agreement
“%”	per cent

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.

TERMINATION OF THE UNDERWRITING AGREEMENT

- (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.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Jiang Quanlong
Ms. Qian Yuanying
Mr. Jiang Cainan

Independent non-executive Directors:

Mr. Jin Zhong
Mr. Huang Chunhua
Mr. Wang Guozhen

Registered office:

Cricket Square, Hutchins Drive,
PO Box 2681,
Grand Cayman,
KY1-1111,
Cayman Islands

Principal place of business

in Hong Kong:
15/F, Club Lusitano,
16 Ice House Street,
Central, Hong Kong

16 July 2015

To the Qualifying Shareholders

Dear Sir or Madam,

**RIGHTS ISSUE OF 669,057,222 RIGHTS SHARES
AT THE SUBSCRIPTION PRICE OF HK\$0.60 EACH
ON THE BASIS OF TWO RIGHTS SHARES
FOR EVERY FIVE EXISTING SHARES HELD ON THE RECORD DATE**

INTRODUCTION

On 10 June 2015, the Board announced that the Company proposed to raise approximately HK\$401.4 million before expenses by way of the Rights Issue of 669,057,222 Rights Shares at the subscription price of HK\$0.60 per Rights Share payable in full on acceptance on the basis of two Rights Shares for every five existing Shares held on the Record Date. The Rights Issue is not available to the Non-Qualifying Shareholder(s).

The purpose of this prospectus is to provide the Shareholders with further details about the Rights Issue.

LETTER FROM THE BOARD

RIGHTS ISSUE

Issue statistics

Basis of the Rights Issue	:	Two (2) Rights Shares for every five (5) existing Shares held on the Record Date
Subscription Price	:	HK\$0.60 per Rights Share
Number of Shares in issue as at the Record Date	:	1,672,643,059 Shares
Number of Rights Shares	:	669,057,222 Rights Shares
Number of issued Shares upon completion of the Rights Issue	:	2,341,700,281 Shares
Amount to be raised	:	Approximately HK\$401.4 million before expenses
Right of excess applications	:	Qualifying Shareholders may apply for Rights Shares in excess of their provisional allotment

As at the Latest Practicable Date, the Company has no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

The 669,057,222 nil-paid Rights Shares proposed to be provisionally allotted represent 40% of the Company's issued share capital as at Latest Practicable Date and approximately 28.57% of the Company's issued share capital as enlarged by the issue of the Rights Issue.

Qualifying Shareholders

To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company on the Record Date and not be a Non-Qualifying Shareholder.

Basis of provisional allotments

The basis of the provisional allotment shall be two (2) Rights Shares (in nil-paid form) for every five (5) existing Shares held by the Qualifying Shareholders on the Record Date.

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing a PAL and lodging the same with a cheque or a banker's cashier order for the sum payable for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance.

LETTER FROM THE BOARD

Non-Qualifying Shareholders

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

Based on the register of members of the Company, all the Shareholders had registered addresses in Hong Kong on the Record Date. Accordingly, all the Shareholders as at the Record Date were Qualifying Shareholders and there was no Non-Qualifying Shareholder for the purpose of the Rights Issue.

Receipt of a copy of any Prospectus Documents does not and will not constitute an offer to any persons in any jurisdiction or territories in which it would be unlawful to make an offer.

No action has been taken to permit the offering of the Rights Shares, or the distribution of this prospectus or any of the PAL or EAF, in any territory or jurisdiction outside Hong Kong. No person receiving a copy of this prospectus and/or the PAL and the EAF in any territory or jurisdiction outside Hong Kong may treat it as an offer or an invitation to apply for the Rights Shares or the excess Rights Shares, unless in the relevant jurisdiction such an offer or invitation could lawfully be made without compliance with any registration or other legal or regulatory requirements. It is the responsibility of any person (including but without limitation to nominee, agent and trustee) receiving a copy of this prospectus or any of the PAL or EAF outside Hong Kong (including the ultimate beneficial owner(s) of the Qualifying Shareholders) and wishing to take up the Rights Shares or make an application for the excess Rights Shares to satisfy himself/herself/itself as to the observance of the laws and regulations of all relevant jurisdiction, including obtaining any government or other consents for observing any other formalities which may be required in such territory or jurisdiction, and to pay any taxes, duties and other amounts required to be paid in such territory or jurisdiction in connection therewith. The Company will not be responsible for verifying the legal qualification of any such resident in such territory or jurisdiction, thus, should the Company suffer any losses or damages due to non-compliance with the relevant laws of such territory or jurisdiction by any such resident, the resident shall be responsible to compensate the Company for the same. The Company shall not be obliged to issue the nil-paid Rights Shares or fully-paid Rights Shares to any such resident, if at the Company's absolute discretion issuing the nil-paid Rights Shares or fully-paid Rights Shares to them does not comply with the relevant laws of such territory or jurisdiction. Any acceptance by any person will be deemed to constitute a representation and warranty from such person to the Company that these local laws and requirements have been complied with. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited has given, or be subject to, any of the above representation or warranty. If you are in any doubt as to your position, you should consult your professional advisers.

Subscription Price

The Subscription Price for the Rights Shares is HK\$0.60 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue or when a renounee of any provisional allotment of the Rights Shares or a transferee of nil-paid Rights Shares applies for the Rights Shares.

LETTER FROM THE BOARD

The Subscription Price represents:

- (a) 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;
- (b) a discount of approximately 50.3% to the theoretical ex-rights price of approximately HK\$1.207 per Share based on the closing price as quoted on the Stock Exchange on the Last Trading Day;
- (c) a discount of approximately 59.9% to the average closing price of approximately HK\$1.496 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day; and
- (d) a discount of approximately 45.5% to the closing price of HK\$1.100 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

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.

LETTER FROM THE BOARD

Procedures for acceptance and payment or transfer

Qualifying Shareholders will find enclosed with this prospectus a PAL which entitles them to subscribe for the number of Rights Shares shown therein. If the Qualifying Shareholders wish to accept all the Rights Shares provisionally allotted to them as specified in the PAL, they must lodge the PAL in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Registrar at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:00 p.m. on Thursday, 30 July 2015. All remittances must be made in Hong Kong dollars. Cheques must be drawn on an account with, or cashier's orders must be issued by, a licensed bank in Hong Kong and made payable to "**China Rare Earth Holdings Limited – Provisional Allotment Account**" and crossed "**Account Payee Only**".

It should be noted that unless the duly completed PAL, together with the appropriate remittance, has been lodged with the Registrar by 4:00 p.m. on Thursday, 30 July 2015, whether by the original allottee or any person to whom the rights have been validly transferred, the relevant provisional allotment and all rights and entitlements thereunder will be deemed to have been declined and will be cancelled and such Rights Shares will be available for application under the EAFs by the Qualifying Shareholders.

If the Qualifying Shareholders wish to accept only part of their provisional allotment and/or to transfer part of their rights to subscribe for the Rights Shares provisionally allotted to them under the PAL or to transfer their rights to more than one person, the original PAL must be surrendered and lodged for cancellation by no later than 4:30 p.m. on Wednesday, 22 July 2015 to the Registrar who will cancel the original PAL and issue new PALs in the denominations required, which will be available for collection at the Registrar after 9:00 a.m. on the second Business Day after the surrender of the original PAL.

The PAL contains further information regarding the procedures to be followed for acceptance and/or transfer of the whole or part of the provisional allotment of the Rights Shares by the Qualifying Shareholders. All cheques and cashier's orders accompanying completed PALs will be presented for payment immediately upon receipt and all interest earned on such monies will be retained for the benefit of the Company. Completion and return of the PAL will constitute a warranty and representation to the Company that all registration, legal and regulatory requirements of all relevant jurisdictions other than Hong Kong in connection with the PAL and any acceptance of it, have been, or will be, duly complied with. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited has given, or be subject to, any of the above representation or warranty. Completion and return of the PAL with a cheque or a cashier's order, whether by a Qualifying Shareholder or by any nominated transferee, will constitute a warranty by the applicant that the cheque or the cashier's order will be honoured on first presentation. Without prejudice to the other rights of the Company in respect thereof, the Company reserves the right to reject any PAL in respect of which the accompanying cheque and/or cashier's order is dishonoured on first presentation, and, in such event, the relevant provisional allotment and all rights and entitlements thereunder will be deemed to have been declined and will be cancelled.

The Company reserves the right to refuse to accept any application for the Rights Shares where it believes that doing so would violate the applicable securities or other laws or regulations of any jurisdiction. No application for the Rights Shares will be accepted from any person who is a Non-Qualifying Shareholder.

LETTER FROM THE BOARD

If the Underwriter exercises the rights to terminate the Underwriting Agreement or if the conditions of the Rights Issue are not fulfilled or waived (as applicable), the monies received in respect of acceptances of the Rights Shares will be returned to the Qualifying Shareholders or such other persons to whom the nil-paid Rights Shares shall have been validly transferred, or in case of joint acceptances, to the first-named person, without interest by means of cheques despatched by ordinary post to their respective registered addresses at their own risk on or before Friday, 7 August 2015.

Application and payment for excess Rights Shares

Qualifying Shareholders may apply, by way of excess application, for any Rights Shares provisionally allotted but not accepted and for any unsold Rights Shares arising from the aggregation of fractional entitlement.

Any Qualifying Shareholder wishing to apply for any excess Rights Shares must complete and sign the enclosed EAF as indicated thereon and lodge it, together with a separate remittance for the amount payable on application in respect of the excess Rights Shares applied for, with the Registrar at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by not later than 4:00 p.m. on Thursday, 30 July 2015. All remittances must be made in Hong Kong dollars and cheques or cashier's orders must be drawn on a bank account in Hong Kong and made payable to "**China Rare Earth Holdings Limited – Excess Application Account**" and crossed "**Account Payee Only**".

The Directors will allocate the excess Rights Shares (if any) at their discretion on a fair and equitable basis and 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 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 Shares held by a nominee (or which are held in CCASS) should note that the Board will consider the nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company. Accordingly, such Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to the relevant beneficial owners individually.

The allocation of excess Rights Shares (if any) made to the Qualifying Shareholders will be announced on or about Thursday, 6 August 2015. If no excess Rights Shares are allocated to the Qualifying Shareholders, the amount tendered on application is expected to be refunded in full on or before Friday, 7 August 2015. If the number of excess Rights Shares allocated to the Qualifying Shareholders is less than that applied for, the surplus application monies are also expected to be refunded to them on or before Friday, 7 August 2015.

All cheques and cashier's orders will be presented for payment immediately following receipt and all interest earned on such monies (if any) will be retained for the benefit of the Company. Completion and return of the EAF will constitute a warranty and representation to the Company that all registration, legal and regulatory requirements of all relevant jurisdictions in connection of the EAF and any acceptance of it, have been, or will be, duly complied with. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited has given, or be subject to, any of the above representation or warranty.

LETTER FROM THE BOARD

Completion and return of the EAF together with a cheque or cashier's order in payment for excess Rights Shares applied for will constitute a warranty by the applicant that the cheque or the cashier's order will be honoured on first presentation. If any cheque or cashier's order accompanying a completed EAF is dishonoured on first presentation, without prejudice to the other rights of the Company, such EAF is liable to be rejected.

The EAF is for use only by the person(s) to whom it is addressed and is not transferable. All documents, including cheques or cashier's orders for the amount due, will be despatched by ordinary post at the risk of the persons entitled thereto to their respective registered addresses as shown in the register of members of the Company on the Record Date.

If the Underwriter exercises the right to terminate the Underwriting Agreement or if the conditions of the Rights Issue are not fulfilled or waived (as applicable), the monies received in respect of the relevant applications for excess Rights Shares will be returned to the applicants, or in case of joint applicants, to the first-named person, without interest by means of cheques despatched by ordinary post to their respective addresses at their own risk on or before Friday, 7 August 2015.

Share certificates and refund cheques for Rights Issue

Subject to the fulfilment of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be posted on Friday, 7 August 2015 by ordinary post to the allottees, at their own risk, to their registered addresses. Refund cheques in respect of wholly or partially unsuccessful applications for the excess Rights Shares (if any) are expected to be posted on Friday, 7 August 2015 by ordinary post to the applicants, at their own risk, to their registered addresses.

Applicant(s) will receive one share certificate for all the Rights Shares issued to him/her/it/them.

The first day of dealings in the Rights Shares in their fully-paid form is expected to commence on 9:00 a.m. on Monday, 10 August 2015.

Application for listing

The Company has applied 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 to be issued and allotted pursuant to the Rights Issue.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

LETTER FROM THE BOARD

Nil-paid and fully-paid Rights Shares will be traded in board lots of 2,000 (as the Shares are currently traded on the Stock Exchange in board lots of 2,000). Dealings in the Rights Shares in both their nil-paid and fully-paid forms will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

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 (WUMP) 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.

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.

As at the Latest Practicable Date, conditions (1) to (3) had not been fulfilled, and the Company was not aware of any matter which would render conditions (4) to (5) being unable to be fulfilled. Condition (6) had been fulfilled.

LETTER FROM THE BOARD

The Irrevocable Undertaking

As of the Latest Practicable Date, the Committed Shareholder has provided the Irrevocable Undertaking to the Company and the Underwriter, among other things, (i) to accept its entitlements to the provisional allotment of 212,787,200 Rights Shares; (ii) to deliver the duly completed and signed PALs and all relevant documents to the Registrar with full payment therefor in accordance with the terms of the Prospectus Documents on or before the Latest Time for Acceptance; and (iii) not to sell or transfer Shares held by them in any manner before completion or lapse of the Rights Issue.

As disclosed in the Company's announcement dated 1 July 2015 ("**Voluntary Announcement**"), a writ was issued against Mr. Jiang Quanlong, the chairman of the Board and an executive Director, for an alleged failure to pay the plaintiff an outstanding amount under a loan agreement of approximately HK\$213 million on his part. As disclosed in the Voluntary Announcement, the Committed Shareholder (in which Mr. Jiang Quanlong is not a beneficial shareholder), has notified the Company that it remains committed and has made arrangements to subscribe or procure subscription in full for its entitlements under the Rights Issue pursuant to the Irrevocable Undertaking. The Committed Shareholder has also notified the Company that it has arranged for a loan facility in order to ensure that the Irrevocable Undertaking will be honoured and that the Committed Shareholder would be able to subscribe for its entitlements in full under the Rights Issue. In the unlikely event that the Committed Shareholder fails to honour the Irrevocable Undertaking, the 212,787,200 Rights Shares will not be underwritten by the Underwriter, and the Underwriting Agreement shall terminate for failure to comply with the conditions precedent of the Underwriting Agreement. However, based on the specific arrangement made by the Committed Shareholder, the Company considers that the proceedings against Mr. Jiang Quanlong should not have any material adverse impact to the Irrevocable Undertaking provided by the Committed Shareholder to subscribe in full for its entitlements under the Rights Issue and as such the Rights Issue will not be affected.

Save for the Irrevocable Undertaking as disclosed above, as at the Latest Practicable Date, the Company had not received any information or irrevocable undertakings from other Shareholders of their intention whether or not to take up their entitlements under the Rights Issue.

The Underwriting Agreement

Agreement date	:	10 June 2015
Underwriter	:	VMS Securities Limited. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Underwriter and its ultimate beneficial owner are Independent Third Parties
Total number of Rights Shares being underwritten by the Underwriter	:	456,270,022 Rights Shares (having taken into account the Irrevocable Undertaking and no new Shares being issued and there being no repurchase of Shares by the Company on or before the Record Date)
Commission	:	3.5% of the aggregate Subscription Price of the Underwritten Shares

LETTER FROM THE BOARD

The terms of the Underwriting Agreement (including the commission rate) were determined after arm's length negotiation between the Company and the Underwriter by reference to the recent global economic environment and volatility of the stock market. The Board considers the terms of the Underwriting Agreement including the commission rate are fair and reasonable so far as the Company and the Shareholders are concerned.

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

LETTER FROM THE BOARD

- (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.

FUND RAISING EXERCISE OF THE COMPANY

The Company had not conducted any equity fund raising exercise in the past 12 months immediately preceding the Latest Practicable Date.

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, payment for general expenses, trade payables and other payables). 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.

WARNING OF THE RISKS OF DEALING IN THE SHARES AND RIGHTS SHARES

Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon, among others, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the sub-paragraph headed "Termination of the Underwriting Agreement" above). Accordingly, the Rights Issue may or may not proceed.

LETTER FROM THE BOARD

The Shares have been dealt in on an ex-rights basis from Monday, 6 July 2015. Dealings in the Rights Shares in nil-paid form are expected to take place from Monday, 20 July 2015 to Monday, 27 July 2015 (both days inclusive). Any Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or Rights Shares in their nil-paid form is advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares.

Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s). Any Shareholder or other person dealing in the Shares or in the nil-paid Rights Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Underwriter's right of termination of the Underwriting Agreement ceases) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company as at the Latest Practicable Date; and immediately after completion of the Rights Issue, assuming no further issue of new Shares or repurchase of Shares up to completion of the Rights Issue:

Name of Shareholder	As at the Latest Practicable Date		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						
– Committed Shareholder 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.

LETTER FROM THE BOARD

TAXATION

Qualifying Shareholders are recommended to consult their professional advisors if they are in any doubt as to the tax implications of the holding or disposal of, or dealing in the Rights Shares in both their nil-paid and fully-paid forms. It is emphasised that none of the Company, its Directors or any other parties involved in the Rights Issue accepts responsibility for any tax effects or liabilities of holders of the Rights Shares resulting from the purchase, holding or disposal of, or dealing in the Rights Shares in both their nil-paid and fully-paid forms.

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 Latest Practicable Date, the Rights Issue is not conditional on approval by the Shareholders.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this prospectus.

Yours faithfully,
For and on behalf of
China Rare Earth Holdings Limited
Jiang Quanlong
Chairman

1. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2012

The audited consolidated financial statements of the Group for the financial year ended 31 December 2012 together with the relevant notes to the financial statements are set out on page 44 to page 183 of the annual report of the Company for the year ended 31 December 2012 published on 23 April 2013, which can be accessed from the website of the Stock Exchange at www.hkexnews.hk/listedco/listconews/SEHK/2013/0423/LTN20130423069.pdf and the website of the Company at www.creh.com.hk/download/eng/doc_client/AnnualReport/37/E0769AR2012.pdf.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2013

The audited consolidated financial statements of the Group for the financial year ended 31 December 2013 together with the relevant notes to the financial statements are set out on page 45 to page 175 of the annual report of the Company for the year ended 31 December 2013 published on 23 April 2014, which can be accessed from the website of the Stock Exchange at www.hkexnews.hk/listedco/listconews/SEHK/2014/0423/LTN20140423232.pdf and the website of the Company at www.creh.com.hk/download/eng/doc_client/AnnualReport/23/E0769AR2013.pdf.

3. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2014

The audited consolidated financial statements of the Group for the financial year ended 31 December 2014 together with the relevant notes to the financial statements are set out on page 46 to page 183 of the annual report of the Company for the year ended 31 December 2014 published on 24 April 2015, which can be accessed from the website of the Stock Exchange at www.hkexnews.hk/listedco/listconews/SEHK/2015/0424/LTN20150424141.pdf and the website of the Company at www.creh.com.hk/download/eng/doc_client/AnnualReport/37/E0769AR2014.pdf.

4. INDEBTEDNESS STATEMENT**Borrowings**

At the close of business on 31 May 2015, being the latest practicable date for the purpose of ascertaining information contained in this statement of indebtedness prior to the printing of this prospectus, the Group has outstanding bank borrowings of approximately HK\$73.8 million which was secured by the Group's bank deposits of RMB30.0 million.

Contingent liabilities

At the close of business on 31 May 2015, the Group had the following outstanding litigation.

During the year ended 31 December 2012, Yixing Silver Mile Fluorescent Materials Co., Ltd, ("Yixing Silver Mile"), the Group's former joint venture, was in a dispute with a contractor about the quality and settlement of its plant construction. Yixing Silver Mile became a wholly-owned subsidiary of the Company during the year ended 31 December 2014.

As at 31 May 2015, the contractor claimed Yixing Silver Mile for settling the remaining contract fee of approximately HK\$34.8 million for the plant construction. At the same time, Yixing Silver Mile counter-claimed the contractor for returning the contract fee of approximately HK\$62.4 million for poor construction quality that cannot meet the relevant construction standards.

As at 31 May 2015, no judgement has been received by Yixing Silver Mile from the court yet. The Directors have sought advice from its PRC lawyers in this aspect. Based on the legal advice, the Directors are of the opinion that it is not probable the court will find against Yixing Silver Mile.

Save as aforesaid and apart from intra-group liabilities, the Group did not have at the close of business on 31 May 2015, being the latest practicable date for ascertaining the indebtedness of the Group prior to the printing of this prospectus, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

No material changes

The Directors have confirmed that, save as disclosed herein, there has not been any material change in the indebtedness and contingent liabilities of the Group since 31 May 2015 and up to and including the Latest Practicable Date.

5. WORKING CAPITAL

The Directors are of the opinion that, taking into account the cash flows generated from the operating activities, the present available banking facilities of the Group and the financial resources available to the Group including internally generated funds and the estimated net proceeds from the Rights Issue, the Group has sufficient working capital for at least the next twelve months from the date of this prospectus in the absence of unforeseen circumstances.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in financial or trading position of the Group since 31 December 2014, the date to which the latest published audited consolidated financial statements of the Group were made up.

7. FINANCIAL AND TRADING PROSPECTS

The rare earth and refractory materials market continued to be influenced by the sluggish economy, as the market conditions in the second half of 2014 carried over into this year. The Group's sales for the past few months dropped and record a loss. However, the market expects a new round of rare earth hoarding plan to be launched in the second half of 2015, and therefore the Group expects the prices of rare earth to rebound by then. In addition, the Group is actively seeking an appropriate mining of magnesium ore project in Northeastern China with an intention to develop upstream operations, with the aim to create synergies with existing operations and strengthen overall income.

For illustrative purposes, the financial information prepared in accordance with paragraph 4.29 of the Listing Rules is set out here to provide prospective investors with further information about how the financial information of the Group might be affected by the completion of the Rights Issue as if the Rights Issue had been completed on 31 December 2014. The pro forma financial information has been prepared for illustrative purposes only and because of its nature, it may not give a true picture of the Group's financial position on the completion of the Rights Issue.

(I) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group which has been prepared to illustrate the effect of the Rights Issue on the net tangible assets of the Group as if the Rights Issue had been completed on 31 December 2014. As it is prepared for illustrative purposes only, and because of its nature, it may not give a true picture of the financial position of the Group upon completion of the Rights Issue.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is prepared based on the consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2014 as extracted and derived from the Group's consolidated financial statements for the year ended 31 December 2014 included in the published annual financial report of the Group and is adjusted for the effect of the Rights Issue.

Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2014 <i>(Note 1)</i> <i>HK\$'000</i>	Estimated net proceeds from the Rights Issue <i>(Note 2)</i> <i>HK\$'000</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as adjusted for the Rights Issue <i>HK\$'000</i>	Audited consolidated net tangible assets of the Group attributable to owners of the Company per Share <i>(Note 3)</i> <i>HK\$</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as adjusted for the Rights Issue per Share <i>(Note 4)</i> <i>HK\$</i>
2,994,972	390,000	3,384,972	1.79	1.45

Notes:

- The amount of consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2014 represents the equity attributable to owners of the Company of approximately HK\$2,994,972,000 as extracted and derived from the published annual financial report of the Group for the year ended 31 December 2014 set out in Appendix I to this prospectus after deducting the Group's intangible assets and goodwill with zero balances as at 31 December 2014 as extracted and derived from the aforesaid published annual financial report of the Group.
- The estimated net proceeds from the Rights Issue are based on 669,057,222 Rights Shares of HK\$0.10 each at HK\$0.60 per Rights Share on the basis of two Rights Shares for every five existing Shares of the Company held on the Record Date, after deducting the estimated underwriting commission and other related expenses of approximately HK\$11,434,000 to be incurred by the Company.
- The number of Shares used for the calculation of this amount is 1,672,643,059, representing 1,672,643,059 Shares in issue as at 31 December 2014.

4. The number of Shares used for the calculation of this amount is 2,341,700,281, representing 1,672,643,059 Shares in issue as at 31 December 2014 and 669,057,222 Rights Shares.
5. No adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2014.

(II) REPORT ON THE UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following is the text of a report received from the auditor of the Company, Crowe Horwath (HK) CPA Limited, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group for the purpose of incorporation in this prospectus.



國富浩華(香港)會計師事務所有限公司
Crowe Horwath (HK) CPA Limited
Member Crowe Horwath International

9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF CHINA RARE EARTH HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of China Rare Earth Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2014 and related notes as set out on pages 22 and 23 of the prospectus issued by the Company dated 16 July 2015 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described on pages 22 and 23 of the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed rights issue of 669,057,222 rights shares of HK\$0.10 each at HK\$0.60 per rights share on the basis of two rights shares for every five existing shares of the Company (the "Rights Issue") on the Group's net tangible assets as at 31 December 2014 as if the Rights Issue had taken place at 31 December 2014. As part of this process, information about the Group's net tangible assets attributable to owners of the Company has been extracted by the Directors from the Group's consolidated financial statements for the year ended 31 December 2014, on which an audited report has been published.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions as at 31 December 2014 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Crowe Horwath (HK) CPA Limited

Certified Public Accountants

Hong Kong, 16 July 2015

Sze Wing Chun

Practising Certificate Number P06035

1. RESPONSIBILITY STATEMENT

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this prospectus misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately following completion of the Rights Issue were and are expected to be as follows:

- (a) As at the Latest Practicable Date:

	<i>HK\$</i>
<i>Authorised share capital</i>	
4,000,000,000 Shares	400,000,000
<u>4,000,000,000</u> Shares	<u>400,000,000</u>
<i>Issued share capital</i>	
1,672,643,059 Shares	167,264,305.9
<u>1,672,643,059</u> Shares	<u>167,264,305.9</u>

- (b) Immediately following completion of the Rights Issue:

	<i>HK\$</i>
<i>Authorised share capital</i>	
4,000,000,000 Shares	400,000,000
<u>4,000,000,000</u> Shares	<u>400,000,000</u>
<i>Rights Shares to be allotted and issued under the Rights Issue</i>	
669,057,222 Shares	66,905,722.2
<u>669,057,222</u> Shares	<u>66,905,722.2</u>
<i>Shares in issue immediately following completion of the Rights Issue</i>	
2,341,700,281 Shares (assuming no other Shares (other than the Rights Shares) are allotted and issued on or before completion of the Rights Issue)	234,170,028.1
<u>2,341,700,281</u> Shares	<u>234,170,028.1</u>

All of the Rights Shares, when allotted and fully paid, will rank pari passu in all respect with each other, including, in particular, as to dividends, voting rights and capital, and with all the Shares in issue as at the date of allotment and issue of the Rights Shares in their fully-paid form. The Rights Shares to be issued will be listed on the Stock Exchange.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, the Company has no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

No capital of any member of the Group was under option, or agreed conditionally or unconditionally to be put under option as at the Latest Practicable Date.

As at the Latest Practicable Date, there was no arrangement under which future dividends are waived or agreed to be waived.

3. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at the Latest Practicable Date, the interests and short positions of the Directors in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(a) The Company

Name of Directors	Capacity	Number of ordinary shares	Approximate percentage of shareholding to total issued ordinary shares
Mr. Jiang Quanlong	Interest of spouse/ Interest of controlled corporation	531,968,000	31.8%
Ms. Qian Yuanying	Founder of a trust	531,968,000	31.8%

Note: All of the above Shares are held in long position (as defined under Part XV of the SFO). These Shares are held through 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, the spouse of Mr. Jiang Quanlong, and her sons. Ms. Qian Yuanying is a founder of YY Trust within the meaning under Part XV of the SFO. Mr. Jiang Quanlong and Ms. Qian Yuanying are the directors of YY Holdings Limited.

As at the Latest Practicable Date, YY Holdings Limited pledged all its 531,968,000 Shares to a lender in respect of a term loan facility granted by the lender to YY Holdings Limited.

(b) Associated corporation

Microtech Resources Limited

Name of Director	Capacity	Number and class of issued shares	Approximate percentage of shareholding in class of shares in total issued share capital of the company
Mr. Jiang Quanlong	Beneficial owner	7,000,000 non-voting deferred shares	70%
Ms. Qian Yuanying	Beneficial owner	3,000,000 non-voting deferred shares	30%

Note: Microtech Resources Limited is a wholly-owned subsidiary of the Company.

Yixing Xinwei Leeshing Rare Earth Company Limited

Name of Director	Capacity	% equity interest
Mr. Jiang Quanlong	Interest of controlled corporation	5%

Note: The equity interest is held by Yixing Xinwei Group Co., Ltd., a PRC domestic enterprise 90% owned by Mr. Jiang Quanlong, with the remaining 10% owned by his son. Mr. Jiang is also the legal representative of the enterprise. Yixing Xinwei Leeshing Rare Earth Company Limited is 95%-owned subsidiary of the Company.

YY Holdings Limited

Name of Director	Nature of Interest/ Capacity	Number and class of issued shares	% in the class of shares in the issued share capital of the company
Ms. Qian Yuanying	Founder of a trust	1 ordinary share	100%
Ms. Qian Yuanying	Founder of a trust	25,000 preference shares	100%
Mr. Jiang Quanlong	Interest of controlled corporation	1 ordinary share	100%
Mr. Jiang Quanlong	Interest of controlled corporation	25,000 preference shares	100%

Note: The entire issued share capital of YY Holdings Limited 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, the spouse of Mr. Jiang Quanlong, and her sons. Ms. Qian Yuanying is a founder of YY Trust within the meaning under Part XV of the SFO. Mr. Jiang Quanlong and Ms. Qian Yuanying are the directors of YYT (PTC) Limited.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the Register of Directors' and Chief Executives' Interests, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

4. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, the following persons/corporations (other than a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the interest of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

1. YY Holdings Limited, the entire issued share capital of which is held by YYT (PTC) Limited, was holding 531,968,000 Shares, representing approximately 31.80% of the issued share capital of the Company as beneficial owner.
2. YYT (PTC) Limited was deemed to be interested in 531,968,000 Shares held by YY Holdings Limited, the entire issued share capital of which is held by YYT (PTC) Limited.
3. YY Holdings Limited pledged all its 531,968,000 Shares to a lender in respect of a term loan facility granted by the lender to YY Holdings Limited.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, no person/corporation (other than a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the interest of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or any options in respect of such capital.

5. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

Save as during the year ended 31 December 2014, (a) the Group paid approximately HK\$914,000 as rental expenses to Mr. Jiang Quanlong for the use of his office premises; and (b) the Group paid approximately HK\$67,000 as rental expenses to Wuxi Pan-Asia Environmental Protection Technologies Limited, a related company in which Ms. Qian Yuanying and Mr. Jiang Quanlong were deemed to have beneficial interests, for the use of its office premises:

- (i) as at the Latest Practicable Date, none of the Directors had, any direct or indirect interest in any assets which have been acquired, disposed of by or leased to or which are proposed to be acquired, disposed of by or leased to any member of the Group since 31 December 2014, the date to which the latest published audited financial statements of the Group were made up; and
- (ii) there is no contract or arrangement entered into by any member of the Group, subsisting as at the Latest Practicable Date in which any of the Directors is materially interested and which is significant in relation to the business of the Group as a whole.

6. EXPERT

The following is the qualifications of the expert who has given opinions or advice, which are contained in this prospectus:

Name	Qualification
Crowe Horwath (HK) CPA Limited	Certified Public Accountants

As at the Latest Practicable Date, Crowe Horwath (HK) CPA Limited did not have any direct or indirect interest in any securities of any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group nor did they have any interest, either directly or indirectly, in any assets which had been, since 31 December 2014 (being the date to which the latest published audited consolidated financial statements of the Company and its subsidiaries were made up), acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Group.

Crowe Horwath (HK) CPA Limited has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its letters, reports and/or summary of its opinions (as the case may be) and references to its name in the form and context in which they respectively appear herein.

7. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service contracts with the Company or any other member of the Group (excluding contracts expiring or which may be terminated by the Company within a year without payment of any compensation (other than statutory compensation)).

8. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group save as during the year ended 31 December 2012, Yixing Silver Mile, the Group's former joint venture, was in dispute with a contractor about the quality and settlement of its plant construction. Yixing Silver Mile became a wholly-owned subsidiary of the Company during the year ended 31 December 2014. As at 31 December 2014, the contractor claimed Yixing Silver Mile for settling the remaining contract fee of approximately HK\$34,854,000 for the plant construction. At the same time, Yixing Silver Mile counter claimed the contractor for returning the contract fee of approximately HK\$62,426,000 for poor construction quality that cannot meet the relevant construction standards. As at the Latest Practicable Date, no judgment has been received by Yixing Silver Mile from the court yet. The Directors have sought advice from its PRC lawyers in this aspect. Based on the legal advice, the Directors are of the opinion that it is not probable the court will find against Yixing Silver Mile.

9. MATERIAL CONTRACTS

The following contracts have been entered into by the Group (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the Latest Practicable Date and are or may be material:

- the sale and purchase agreement dated 27 September 2013 entered into between the Group and the other joint venturer of Yixing Silver Mile to acquire the remaining 50.1% equity interest in Yixing Silver Mile at a cash consideration of approximately HK\$15,133,000;
- the sale and purchase agreement dated 9 July 2014 entered into by the Group with the other joint venturer of Yixing AGC Ceramics Co., Ltd (“**Yixing AGC**”) to dispose of its 40% equity interest in Yixing AGC at a cash consideration of approximately HK\$71,300,000;
- the sale and purchase agreement dated 17 November 2014 entered into between Yixing Xinwei Leeshing Rare Earth Company Limited, a 95% owned subsidiary of the Company, as vendor, and Zhang Wei, an independent third party, as purchaser in respect of the disposal of the entire equity interest of Heping Country Dongye Rare Earth Company Limited for the consideration of RMB128,000,000; and
- the Underwriting Agreement.

10. CORPORATION INFORMATION AND PARTIES TO THE RIGHTS ISSUE

Registered office of the Company	Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands
Principal place of business in Hong Kong	15/F, Club Lusitano, 16 Ice House Street, Central, Hong Kong
The Registrar	Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Authorised representatives	Mr. Law Lap Tak, 15/F, Club Lusitano, 16 Ice House Street, Central, Hong Kong Ms. Qian Yuanying, 15/F, Club Lusitano, 16 Ice House Street, Central, Hong Kong
Company Secretary	Mr. Law Lap Tak, 15/F, Club Lusitano, 16 Ice House Street, Central, Hong Kong
Underwriter of the Rights Issue	VMS Securities Limited, Suites 4112-4119, 41/F, Jardine House, 1 Connaught Place, Central, Hong Kong

Legal adviser to the Company for the Rights Issue	<i>(As to Hong Kong Law)</i> Chiu & Partners, 40/F, Jardine House, 1 Connaught Place, Central, Hong Kong
Auditor	Crowe Horwath (HK) CPA Limited, <i>Certified Public Accountants,</i> 9/F, Leighton Centre, 77 Leighton Road, Causeway Bay, Hong Kong
Principal banker	<i>PRC</i> China Construction Bank Corporation 286 Longtan West Road, Yicheng Street, Yixing, Jiangsu Province China Merchants Bank Company Limited 70 Yibei Road, Yicheng Street, Yixing, Jiangsu Province China Bank of Communications Company Limited No.317-323, Block 29, Xiangtou West Road, Yicheng Street, Yixing, Jiangsu Province Agricultural Bank of China Limited No.40-2, Huancheng West Road, Haicheng, Liaoning Province Bank of China Limited 106, Taige West Road, Yicheng Street, Yixing, Jiangsu Province <i>Hong Kong</i> Standard Chartered Bank (Hong Kong) Limited 3/F, Standard Chartered Bank Building, 4-4A Des Voeux Road Central, Hong Kong

BNP Paribas
63/F, Two IFC, 8 Finance Street,
Central, Hong Kong

CITIC Bank International Limited
80/F International Commerce Centre,
1 Austin Road West, Kowloon

Bank of China (Hong Kong) Limited
1 Garden Road, Hong Kong

Nanyang Commercial Bank, Limited
151 Des Voeux Road,
Central, Hong Kong

11. DIRECTORS AND SENIOR MANAGEMENT

(A) Particulars

Executive Directors

Mr. Jiang Quanlong, aged 62, is a founding member and the chairman of the Group. Mr. Jiang is responsible for the formulation of the Group's overall business development policies. Mr. Jiang is recognised as a senior economist by Jiangsu Provincial Personnel Department. Mr. Jiang has over 30 years of experience in the rare earth and refractory materials industries. Prior to the founding of the Group, Mr. Jiang had been a factory manager of a refractory materials production plant and a sales manager of a glass and ceramics manufacturing company. Besides, Mr. Jiang is also the chairman and an executive director of Pan Asia Environmental Protection Group Limited, the shares of which are listed on The Stock Exchange of Hong Kong Limited, and a director of YY Holdings Limited, a substantial shareholder of the Company. Mr. Jiang is the husband of Ms. Qian Yuanying, the deputy chairman of the Group.

Ms. Qian Yuanying, aged 55, is a founding member and the deputy chairman of the Group. Ms. Qian is also the chief executive officer of the Group and the general manager of Yixing Silver Mile Fluorescent Materials Company Limited. Ms. Qian is responsible for the overall management of the Group and the operation of fluorescent materials business. Ms. Qian is recognised as a senior economist by Jiangsu Provincial Personnel Department, and she is also qualified as a Chinese Career Manager. Ms. Qian has over 20 years of experience in the rare earth and refractory materials industries. Prior to the founding of the Group, Ms. Qian was a high school teacher. Ms. Qian is also a director of YY Holdings Limited, a substantial shareholder of the Company. Ms. Qian is the wife of Mr. Jiang Quanlong, the chairman of the Group.

Mr. Jiang Cainan, aged 56, joined the Group in 1986 and was appointed as an executive director in 2005. Mr. Jiang is also the general manager of Yixing Xinwei Leeshing Refractory Materials Company Limited and is responsible for the operation and sales of refractory materials business. Mr. Jiang has over 30 years of experience in the refractory materials industry.

Independent Non-executive Directors

Mr. Huang Chunhua, aged 50, joined the Group in 2001 as an independent non-executive director of the Company. Mr. Huang obtained a Ph.D degree in Marketing and a Master degree in Business Administration from University of Strathclyde and a Bachelor degree in Economics from Wuhan University. Currently Mr. Huang is the deputy chairman and an executive director of Hybrid Kinetic Group Limited, the shares of which are listed on The Stock Exchange of Hong Kong Limited. For the period from May 2007 to April 2009, Mr. Huang was a director and China equity market strategist of BNP Paribas Securities (Asia) Limited. Prior to that he was the deputy chairman of Hybrid Kinetic Group Limited between November 2002 and October 2007 and an analyst of various securities companies. Mr. Huang has extensive knowledge and experience in financial market.

Mr. Jin Zhong, aged 63, joined the Group in 2004 as an independent non-executive director of the Company. Mr. Jin graduated from the Faculty of Material Engineering of Wuhan Steel College, specialising in refractory studies. Mr. Jin was previously the deputy chief engineer of the head factory of Guiyang City Refractory Materials Factory.

Mr. Wang Guozhen, aged 79, joined the Group in 2012 as an independent non-executive director of the Company. Mr. Wang graduated from Tianjin University, majoring in Physical chemistry of metals. Currently Mr. Wang is a senior expert consultant in rare earth projects of China Enfi Engineering Corporation. For the period from 1987 to 1994, Mr. Wang was a member of the Experts Group of the Rare Earth Leading Group of the State Council, the People's Republic of China and the head of its industry group. From 1994 to 2006, Mr. Wang was a member of the Group of Rare Earth Experts of the National Development and Reform Commission and the head of its industry group. Mr. Wang also worked at the Chinese Society of Rare Earths (the "CSRE") consecutively as a director, a standing director, an expert in its rare earth experts group and a senior member of its Rare Earth Related Environmental Protection and Labor Hygiene Professional Committee from 1980 to 2009. In 2009, Mr. Wang was appointed as honorary executive of the CSRE. Besides, Mr. Wang is also an independent non-executive director of Pan Asia Environmental Protection Group Limited, the shares of which are listed on The Stock Exchange of Hong Kong Limited.

Senior Management

Mr. Jiang Xin, aged 30, joined the Group in 2008 and was appointed as the general manager of the Company in 2012. Mr. Jiang is responsible for the marketing aspect of the Group's business. Mr. Jiang obtained a Bachelor degree in Arts majoring in International Business, Finance and Economics from University of Manchester and a Bachelor degree in Arts majoring in Business Studies from University of Wales. Mr. Jiang is a son of Mr. Jiang Quanlong, the chairman of the Group and Ms. Qian Yuanying, the deputy chairman of the Group.

Mr. Jiang Hongjun, aged 56, joined the Group in 2000. Mr. Jiang is the deputy general manager of the Company and is responsible for the daily administrative affairs of the Group. Mr. Jiang has over 30 years of experience in administrative management.

Mr. Yu Zhengming, aged 79, joined the Group in 1999. Mr. Yu is the chief engineer and technical consultant of Yixing Xinwei Leeshing Rare Earth Company Limited. Prior to joining the Group, Mr. Yu was the factory general manager and chief engineer of a renowned rare earth factory. Mr. Yu is an expert in rare earth and non-ferrous metals industries.

Mr. Xu Jianwen, aged 46, joined the Group in 1988. Mr. Xu is the general manager of Yixing Xinwei Leeshing Rare Earth Company Limited and is responsible for the operation of rare earth business. Mr. Xu has over 20 years of experience in production management in the rare earth industry.

Mr. Wang Jianping, aged 53, joined the Group in 2004. Mr. Wang is the general manager of Wuxi Xinwei High Temperature Ceramics Company Limited and is responsible for the operation of the high temperature ceramics business. Mr. Wang has over 15 years of experience in administrative management and sales.

Mr. Zhang Huilin, aged 62, joined the Group in 1988. Mr. Zhang is the general manager of Haicheng City Suhai Magnesium Ore Company Limited and Hai Cheng Xinwei Leeshing Magnesium Resources Company Limited and is responsible for the operation of magnesium grains business. Mr. Zhang has extensive management experience in raw material supply and sales of refractory materials.

Company Secretary

Mr. Law Lap Tak, aged 45, joined the Group in 1999. Mr. Law is the financial controller and company secretary of the Company. Mr. Law graduated in Hong Kong and obtained a Bachelor degree in Business Administration. Mr. Law is a member of the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants. Prior to joining the Group, Mr. Law was an audit manager in an international accounting firm in Hong Kong.

(B) Business address

The business address of all the Directors and the Company Secretary is the same as the principal place of business in Hong Kong of the Company at 15/F, Club Lusitano, 16 Ice House Street, Central, Hong Kong. The business address of the senior management of the Company other than the Company Secretary is the same as the head office and principal place of business of the Company at Dingshu, Yixing, Jiangsu Province, the PRC.

12. MISCELLANEOUS

The English texts of this prospectus, the PAL and the EAF shall prevail over their Chinese texts in case of inconsistencies.

The Company has no founder shares, management shares or deferred shares.

13. EXPENSES

The expenses in connection with the Rights Issue, including the underwriting commission, printing, registration, translation, legal and accounting fees, are estimated to be approximately HK\$11.4 million, and will be payable by the Company.

14. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

A copy of each of the Prospectus, the PAL and the EAF, having attached thereto the written consent referred to under the paragraph headed “Expert” in this appendix, have been registered with the Registrar of Companies in Hong Kong pursuant to section 342C of the Companies (WUMP) Ordinance.

15. BINDING EFFECT

The Prospectus Documents, and all acceptances of any offer or application contained in such documents, are governed by and shall be construed in accordance with the laws of Hong Kong. Where an application is made in pursuance of any such documents, the relevant document(s) shall have the effect of rendering all persons concerned bound by the provisions, other than the penal provisions, of sections 44A and 44B of the Companies (WUMP) Ordinance, so far as applicable.

16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business in Hong Kong of the Company at 15/F, Club Lusitano, 16 Ice House Street, Central, Hong Kong from the date of this prospectus up to and including 30 July 2015:

- (a) the articles of association of the Company;
- (b) the annual reports of the Company for the three financial years ended 31 December 2012, 2013 and 2014;

- (c) the letter on the unaudited pro forma financial information of the Group issued by Crowe Horwath (HK) CPA Limited set out in appendix II to this prospectus;
- (d) the material contracts disclosed in the paragraph under the heading “Material Contracts” in this appendix;
- (e) the letter of consent referred to in the paragraph under the heading “Expert” in this appendix;
- (f) this prospectus; and
- (g) the Irrevocable Undertaking.