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CHINA RARE EARTH HOLDINGS LIMITED

中國稀土控股有限公司

(incorporated in the Cayman Islands with limited liability)

CONNECTED TRANSACTION: PURCHASE OF RARE EARTH MATERIALS

The Directors wish to inform the Shareholders that Xinwei Rare Earth, a 95% subsidiary of the Company, purchased from Shanghai Xinchun certain rare earth materials for the consideration of approximately HK\$1.9 million during the financial year ended 31 December 2001.

Shanghai Xinchun is owned as to 90% by Mr Jiang and 8.91% by Mrs Jiang, two of the executive Directors. As Shanghai Xinchun is an associate of the executive Directors, it is therefore a connected person of the Company. The transaction constituted a connected transaction under the Listing Rules.

Given the consideration of the above connected transaction had exceeded the higher of HK\$1 million or 0.03% of the book value of the Group's net tangible assets, the transaction was subject to the disclosure requirements under Rule 14.25(1) of the Listing Rules. Details of the transaction had been included in the audited financial statements of the Group and the annual report of the Company for the year ended 31 December 2001 as required under Rule 14.25(1) of the Listing Rules but the transaction had not been disclosed by way of press notice as required under the Listing Rules. The failure to comply with such requirement has constituted breaches of the Listing Rules.

The Stock Exchange has informed the Company that it reserves the rights to take appropriate actions against the Company and/or the Directors in respect of the breaches of the Listing Rules.

THE CONNECTED TRANSACTION

Xinwei Rare Earth is a sino-foreign equity joint venture established in the PRC and indirectly owned as to 95% by the Company. During the financial year ended 31 December 2001, Xinwei Rare Earth purchased certain rare earth materials from Shanghai Xinchun at the consideration of approximately HK\$1.9 million. The Directors confirm that the purchase was a one-off transaction between the Group and Shanghai Xinchun, and apart from this transaction, there have been no other similar transaction between Xinwei Rare Earth and Shanghai Xinchun during the financial year ended 31 December 2001 and subsequent to the financial year ended 31 December 2001 until the date of this announcement.

Shanghai Xinchun is owned as to 90% by Mr Jiang and 8.91% by Mrs Jiang, two of the executive Directors, and is principally engaged in the trading of paper products and rare earth materials. As Shanghai Xinchun is an associate of the executive Directors, it is therefore a connected person of the Company. The transaction constituted a connected transaction under the Listing Rules.

The terms of the purchase of rare earth materials were negotiated on an arm's length basis and the purchase price was determined based on prevailing market price. The Directors (including independent non-executive Directors) considered that the transaction was on normal commercial terms and the transaction was fair and reasonable and in the interests of the Company and its Shareholders.

Given the consideration of the above connected transaction for the financial year ended 31 December 2001 had exceeded the higher of HK\$1 million or 0.03% of the book value of the Group's net tangible assets, the transaction was subject to the disclosure requirements under Rule 14.25(1) of the Listing Rules. Details of the transaction had been included in the audited financial statements of the Group and the annual report of the Company for the year ended 31 December 2001 as required under Rule 14.25(1) of the Listing Rules but the transaction had not been disclosed by way of press notice as required under the Listing Rules. The failure to comply with such requirement has constituted breaches of the Listing Rules.

The Stock Exchange has informed the Company that it reserves the rights to take appropriate actions against the Company and/or the Directors in respect of the breaches of the Listing Rules.

GENERAL

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

DEFINITIONS

In this announcement, the following expressions shall, unless the context requires otherwise, have the following meanings:

“Company”	China Rare Earth Holdings Limited (中國稀土控股有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr Jiang”	Mr Jiang Quanlong, a Director
“Mrs Jiang”	Ms Qian Yuanying, the spouse of Mr Jiang and a Director
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Xincheng”	上海新成稀土新材料有限公司 (Shanghai Xincheng Rare Earth New Materials Company Limited*), a limited liability company established in the PRC and owned as to 90% by Mr Jiang and 8.91% by Mrs Jiang
“Shareholder(s)”	Shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Xinwei Rare Earth”	宜興新威利成稀土有限公司 (Yixing Xinwei Leeshing Rare Earth Co., Ltd.*), a sino-foreign equity joint venture established in the PRC and owned indirectly as to 95% by the Company
“%”	per cent.

By Order of the board of Directors
China Rare Earth Holdings Limited
Jiang Quanlong
Chairman

Hong Kong, 13 August 2003

* *For identification purpose only*

Please also refer to the published version of this announcement in The Standard.