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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)*

**(stock code: 769)**

**PROFIT WARNING**

The Board wishes to inform potential investors and shareholders of the Company that it is expected that the Group will record a loss attributable to equity holders of the Company for the financial year ended 31 December 2008 as compared to a profit attributable to equity holders of the Company for the financial year ended 31 December 2007. This is primarily due to the possible impairment losses on goodwill, property, plant and equipment and provisions for inventories and trade receivables.

This announcement is based on the preliminary assessment by the Board with reference to the management accounts and unaudited consolidated financial statements of the Group. The actual results for the Group for the year ended 31 December 2008 have not been finalised and are subject to confirmation with the auditors of the Company.

The results announcement of the Company for the year ended 31 December 2008 is expected to be released on 17 April 2009. Shareholders and investors are advised to read such results announcement carefully.

**Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**

This announcement is made by China Rare Earth Holdings Limited (“**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The board of directors of the Company (“**Board**”) wishes to inform potential investors and shareholders of the Company that it is expected that the Group will record a loss attributable to equity holders of the Company for the financial year ended 31 December 2008 as compared to a profit attributable to equity holders of the Company for the financial year ended 31 December 2007. This is primarily due to the possible impairment losses on goodwill, property, plant and equipment and provisions for inventories and trade receivables of more than HK\$300,000,000.

The Board wishes to point out that the possible impairment losses and provisions mentioned above are non-cash items and no material adverse effect is expected to be imposed on the Group’s cash flow. Further, despite being affected by the global economic condition, the Board considers that the overall operation of the Group remains stable. Based on currently available information, there is no significant drop in turnover of the Group for the year ended 31 December 2008 when compared to the last financial year.

Please note that the information contained in this announcement is only based on the preliminary assessment by the Board with reference to the management accounts and unaudited consolidated financial statements of the Group and that the actual results for the Group are subject to audit and therefore may differ from the information disclosed in this announcement. The annual results of the Company for the year ended 31 December 2008 have not been finalised as at the date of this announcement. The results announcement of the Company for the year ended 31 December 2008 is expected to be released on 17 April 2009. Shareholders and investors are advised to read such results announcement carefully.

**Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**

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

Hong Kong, 9 April 2009

*As at the date of this announcement, the board of Directors consists of Mr Jiang Quanlong, Ms Qian Yuanying, Ms Xu Panfeng and Mr Jiang Cainan as executive Directors and Mr Liu Yujiu, Mr Huang Chunhua and Mr Jin Zhong as independent non-executive Directors.*