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中國稀土控股有限公司
China Rare Earth Holdings Limited
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 769)

BUSINESS DEVELOPMENT FORMATION OF A JOINT VENTURE COMPANY

FORMATION OF A JOINT VENTURE COMPANY

The Group is currently preparing to form a joint venture company in the PRC to engage in research, development, production and sale of phosphor products with a leading foreign lamp company. Further announcement(s) will be made by the Company when the relevant joint venture contract has been entered into and in compliance with the Listing Rules, if applicable.

FORMATION OF A JOINT VENTURE COMPANY

China Rare Earth Holdings Limited (“**Company**”) and its subsidiaries (“**Group**”) is currently preparing to form a joint venture company (“**JV Company**”) in the Peoples’ Republic of China (“**PRC**”) to engage in research, development, production and sale of phosphor products with a leading foreign lamp company (“**JV Partner**”).

It is expected that the total investment of the JV Company will be approximately EURO43,500,000 (equivalent to approximately HK\$435,000,000). Based on the current proposal, the Group and the JV Partner will be interested in the JV Company as to 49.9% and 50.1% respectively. It is intended that the Group’s investment will be funded by internal resources and bank financing. The operation term of the JV Company is expected to be 50 years.

In accordance with the Group’s current business plan in relation to the proposed joint venture, it is expected that the major products of the JV Company will be tri-band phosphors for the lighting industry, mainly blue, red and green phosphor and the products are expected to be sold in both the PRC and international market. It is also expected that the JV Company would have an annual production capacity of tri-band phosphor of up to 2,000 tons when it is in full operation.

With PRC's focus on environmental protection and energy conservation as well as countries in North America, Europe, Australia, Japan and Korea are gradually replacing traditional light bulbs with energy-saving ones, the directors of the Company ("**Directors**") believe that there should be a keen demand for fluorescent materials in the years to come. Furthermore, National Development and Reform Commission and Ministry of Finance had implemented the "Provisional Administrative Measures for Financial Subsidy on Promotion of Highly Effective Lighting Products" which set the guidelines for promoting the application of energy-saving lightings using indirect financial subsidy; the Directors believe that the government subsidy should further encourage the use of energy-saving lighting products and which should in turn lead to the increase in the demand in fluorescent materials for producing such lighting products.

With the anticipation in the growing demand of such products, the Group has been actively considering expansion of the fluorescent materials division of the Group's business and looking for opportunities to tighten cooperation and forming strategic alliances with major customers. The Directors consider that the proposed joint venture, if materialised, will provide a good opportunity for the Group to further strengthen its presence in the fluorescence materials market and to enhance the Group's competitiveness and expanding its business coverage.

Further announcement(s) will be made by the Company when the relevant joint venture contract has been entered into and in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**"), if applicable.

By Order of the Board of
China Rare Earth Holdings Limited
Qian Yuanying
Executive Director

Hong Kong, 6 July 2009

As at the date of this announcement, the board of Directors comprises 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.

For the purpose of this announcement, translation of EURO into HK\$ or vice versa have been calculated by using an exchange rate of EURO1.00 = HK\$10.00.