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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
HIGH-END LCD RARE EARTH POLISHING POWDER PRODUCTION LINE

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As part of the Group's business expansion plan, the Group is planning to develop a high-end LCD rare earth polishing powder production line to satisfy market demand and optimise the rare earth product mix of the Group. The production line will be located within the Group's existing production site in Yixing, the PRC.

HIGH-END LCD RARE EARTH POLISHING POWDER PRODUCTION LINE

As part of the business expansion plan of China Rare Earth Holdings Limited (“**Company**”) and its subsidiaries (“**Group**”), the Group is planning to develop a high-end LCD rare earth polishing powder production line to satisfy market demand and optimise the rare earth product mix of the Group. The production line is currently planned to be developed in two phases, the first phase of which is expected to be operational by the end of 2009 and the second phase to commence operation in or about the second quarter of 2010. It is expected that when the production line commences full operation in or about the second quarter of 2010, the Group's annual production capacity of polishing powder would be expanded to 2,000 tons. When the first stage of development is completed, the Group's annual production capacity of polishing powder would be increased to 1,000 tons.

The total investment is currently expected to be about RMB200 million (equivalent to approximately HK\$227 million) and will be utilised at different stages depending on the progress of development of the production line. It is expected that about RMB98 million (equivalent to approximately HK\$111 million) will be utilised for the first stage of the development and the investment costs will be funded by internal resources of the Group as well as bank and other financing.

The production line will be located within the Group's existing production site in Yixing, the People's Republic of China (“**PRC**”).

High-end LCD rare earth polishing powder is a recently developed high-tech rare earth material mainly used for precision polishing of large HD screen, LCD screen and 3G mobiles, thus essential to the electronic and glass processing industries. With the rising demand for large PC and LCD screens and the fact that increasing number of LCD screen production lines are established in the PRC in recent years, demand for high-end LCD rare earth polishing powder in the PRC market has also been increasing. Other than being used for large HD screen, LCD screen and 3G mobiles, the product is also widely used in other products such as digital camera lens, optical glasses and jewellery polishing, etc.

At present, the products sold in the PRC market are mainly imported from other countries; it is currently intended that the high-end LCD rare earth polishing powder to be produced by the Group would be mainly sold in the PRC to satisfy rising domestic demand.

The Group believes that the success of this research will not only boost rare earth polishing powder production technology in the PRC, but will also enable the Group to raise the added value of its products and in turn enhance its competitiveness and market share leading to long-term development and growth of its business.

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 of the Company (“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 RMB into HK\$ or vice versa have been calculated by using an exchange rate of RMB0.88 = HK\$1.00.