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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)

VOLUNTARY ANNOUNCEMENT FORMATION OF A JOINT VENTURE COMPANY

FORMATION OF A JOINT VENTURE COMPANY

Reference is made to the announcement of the Company dated 6 July 2009 in relation to the formation of a joint venture company in the PRC. The Company is pleased to announce that on 18 October 2009, Silver Mile, an indirect wholly-owned subsidiary of the Company, entered into the Investment Contract with OSRAM (a company incorporated in Germany and wholly-owned by Siemens AG) pursuant to which both parties agreed to establish the JV Company in the PRC to engage in research, development, production and sale of phosphor products. OSRAM is a famous foreign lamp company and is a leading lighting manufacturer in the world.

FORMATION OF A JOINT VENTURE COMPANY

Reference is made to the announcement of China Rare Earth Holdings Limited (the “**Company**”) dated 6 July 2009 in relation to the formation of a joint venture company in the People’s Republic of China (the “**PRC**”). The Company is pleased to announce that on 18 October 2009, Silver Mile Holdings Limited (“**Silver Mile**”), an indirect wholly-owned subsidiary of the Company, entered into an investment contract (the “**Investment Contract**”) with OSRAM GmbH (a company incorporated in Germany and wholly-owned by Siemens AG) (“**OSRAM**”) pursuant to which both parties agreed to establish a joint venture company (the “**JV Company**”) in the PRC to engage in research, development, production and sale of phosphor products. OSRAM is a famous foreign lamp company and is a leading lighting manufacturer in the world.

Pursuant to the Investment Contract, the parties have also agreed to enter into, or to procure the JV Company to enter into other ancillary agreements, including the Business and Assets Transfer Agreement, the Name Use Agreement, the Know-how Licensing and Technical Assistance Agreement, Amendment Agreement to Strategic Supplier Agreement and Supply Agreement upon establishment of the JV Company. Particulars of the ancillary agreements are briefly described below.

Principal terms of the Investment Contract

Total investment and registered capital

The proposed total investment and registered capital of the JV Company are EURO43,500,000 (equivalent to approximately HK\$500,250,000) and EURO14,500,000 (equivalent to approximately HK\$166,750,000) respectively. Pursuant to the Investment Contract, Silver Mile and OSRAM will be interested in the JV Company as to 49.9% and 50.1% respectively. The investment of approximately HK\$83,208,000 by Silver Mile will be funded by internal resources and bank financing. The proposed term of operation of the JV Company is 50 years.

Timing for making capital contribution

Each of Silver Mile and OSRAM shall (a) within three months immediately following the date on which the business licence of the JV Company is issued, pay at least 15% of its agreed contribution to the registered capital of the JV Company; and (b) within two years immediately following the date on which the business licence of the JV Company is issued, pay the remaining portion of the agreed contribution in instalment.

Production

It is intended 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 will be sold in both the PRC and international market. The JV Company will have an annual production capacity of tri-band phosphor of up to 2,000 tons when it is in full operation.

Board composition

The board of the JV Company shall comprise four directors, among whom two shall be nominated by Silver Mile and two by OSRAM. The board shall have one chairman and one vice chairman, who shall be nominated by Silver Mile and OSRAM in turn and elected by the board. The first chairman shall be nominated by OSRAM and the first vice chairman shall be nominated by Silver Mile.

Ancillary agreements

To facilitate the business and operations to be carried out by the JV Company, the parties have also agreed to enter into, or to procure the relevant parties to enter into the following agreements upon the establishment of the JV Company:

(i) Business and Assets Transfer Agreement

無錫新威熒光材料有限公司 (Wuxi Xinwei Fluorescent Materials Co., Ltd.) (“**Wuxi Xinwei**”), an indirect wholly-owned subsidiary of the Company, and the JV Company shall enter into the Business and Assets Transfer Agreement pursuant to which Wuxi Xinwei shall transfer its business and certain related assets to the JV Company.

(ii) *Know-how Licensing and Technical Assistance Agreement*

OSRAM and the JV Company shall enter into the Know-how Licensing and Technical Assistance Agreement pursuant to which OSRAM and the JV Company shall grant a licence to each other for use of the other party's relevant proprietary technologies without any consideration for the business of the JV Company.

(iii) *Name Use Agreement*

OSRAM and the JV Company will enter into the Name Use Agreement pursuant to which, among other matters, OSRAM shall conditionally grant a licence to the JV Company for its use of OSRAM's trade name in the business name of the JV Company on a licence fee free basis.

(iv) *Amendment Agreement to Strategic Supplier Agreement*

宜興新威利成稀土有限公司 (Yixing Xinwei Leeshing Rare Earth Co. Ltd.) ("**Yixing Xinwei**"), an indirect non wholly-owned subsidiary of the Company, and OSRAM will enter into the Amendment Agreement to Strategic Supplier Agreement pursuant to which Yixing Xinwei will supply the rare earth required for the production of OSRAM and its affiliates (including but not limited to the JV Company).

(v) *Supply Agreement*

OSRAM and/or its affiliates and the JV Company will enter into the Supply Agreement pursuant to which the JV Company shall sell the fluorescent material products to OSRAM and/or its affiliates.

The directors of the Company (the "**Directors**") consider that the joint venture will provide a good opportunity for the Group to further strengthen its presence in the fluorescent materials market and to enhance the Group's competitiveness and expanding its business coverage.

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

Hong Kong, 19 October 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\$11.50.