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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)

ANNOUNCEMENT

The board of directors (the "Directors") of China Rare Earth Holdings Limited (the "Company") refers to the various press articles (the "Press Articles") appeared in the newspapers on 27 June 2003 and the press release (the "Press Release") issued by the Securities and Futures Commission (the "SFC") of Hong Kong on 4 July 2003. In the Press Articles, it was reported that the regulatory authorities in Hong Kong have made certain inquiries into the Company's affairs and in the Press Release, the SFC confirmed that on 20 May 2003 its enforcement division has commenced an inquiry relating to the affairs of the Company under section 179 of the Securities and Futures Ordinance (the "Ordinance") and that the inquiry is continuing.

The board of Directors refers to the Press Articles appeared in the newspapers on 27 June 2003 and the Press Release made by the SFC on 4 July 2003. In the Press Articles, it was reported that the regulatory authorities in Hong Kong have made certain inquiries into the Company's affairs and in the Press Release, the SFC confirmed that on 20 May 2003 its enforcement division has commenced an inquiry relating to the affairs of the Company under section 179 of the Ordinance and that the inquiry is continuing.

The board of Directors confirms that the SFC has requested the Company to provide certain information pursuant to section 179 of the Ordinance.

In the Press Release, the SFC also stated that The Stock Exchange of Hong Kong Limited (the "Stock Exchange") requested the Company to make an announcement to clarify that it is the subject of an inquiry under section 179 of the Ordinance, and that the Company refused to accede to this request.

The Company has explained that it is bound by the secrecy obligations imposed on it under section 378(1) of the Ordinance. Indeed, this secrecy obligation is specifically highlighted by the SFC in its letter of inquiry under section 179 of the Ordinance addressed to the Company. The Company had also sought to explain that, as a result of its secrecy obligations, the Company was proscribed from disclosing information in relation to the inquiry except in certain limited circumstances specified in section 378(1) of the Ordinance.

The board of Directors also refers to the announcement of the Company dated 23 May 2003 in which the Company confirmed that the Stock Exchange had made certain inquiries with the Company in relation to an allegation letter received by the Stock Exchange in or around November 2002. Details of the allegations contained in the allegation letter have been set out in the Company's announcement dated 23 May 2003.

By Order of the board of Directors
JIANG Quanlong
Chairman

Hong Kong, 4 July 2003