

[For Immediate Release]

## **China Rare Earth Forms Joint Venture with Leading Foreign Lamp Company Plus Plans to Expand Polishing Powder Line**

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### **Expand Downstream Products Business to Raise Product Value**

(6 July 2009 – Hong Kong) — Rare earth and refractory materials product manufacturer China Rare Earth Holdings Limited (“China Rare Earth” or the “Group”) (stock code: 769) announced that it is currently preparing to form a joint venture company with a leading foreign lamp company (“JV Partner”) at an estimated total investment of EURO43,500,000 (equivalent to approximately HK\$ 435,000,000). Besides, its 95%-owned subsidiary Yixing Xinwei Leeshing Rare Earth Company Limited (“Yixing Xinwei”) will invest around RMB200,000,000 (equivalent to approximately HK\$227,000,000) in a high-end LCD rare earth polishing powder production line. Both endeavours will be funded by internal resources as well as bank and other financing.

#### **Fluorescent powder**

The joint venture company will engage in research, development, production and sale of fluorescent powder products. According to the proposal, the Group and the JV Partner will hold 49.9% and 50.1% interest respectively in the joint venture company. It follows that the Group is expected to invest approximately EURO21,706,500 (equivalent to approximately HK\$217,065,000) into the joint venture company. The major products of the new 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 PRC and the international market. The operational term of the new company is expected to be 50 years, and will have an annual production capacity of about 2,000 tonnes when in full operation.

With China placing greater emphasis on environmental protection and energy conservation and countries in North America, Europe, Australia, Japan and Korea gradually replacing traditional light bulbs with energy-saving ones, the Group believes there will be a keen demand for fluorescent powder, an essential material for producing those lighting products. Furthermore, the National Development and Reform Commission and Ministry of Finance have implemented the “Provisional Administrative Measures for Financial Subsidy on Promotion of Highly Effective Lighting Products” containing guidelines for using indirect financial subsidy to promote the application of energy-saving lightings. The move is another force that will drive the adoption of energy-saving lighting products and in turn demand for fluorescent powder.

### **Polishing powder**

The Group will invest in high-end LCD rare earth polishing powder production line at its existing Yixing plant. The total investment of about RMB200,000,000 will be injected in two phases. The first phase involving about RMB98,000,000 is expected to be operational by end of 2009 with annual production capacity up to 1,000 tonnes. The second phase will start production around the second quarter of 2010. When the entire project is completed, the Group's annual production capacity for polishing powder will reach 2,000 tonnes.

Apart from used in the precision polishing processes of large HD screens, LCD screens and 3G mobile phone screens, high-end LCD rare earth polishing powder is also widely used in the production of other products such as digital camera lens, optical glasses and in jewellery polishing. 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 technology for the Group's new rare earth polishing powder production line has filed four national patent applications, and has passed the scrutiny of experts of the China Nonferrous Metals Industry Association, confirming that it has met international advanced levels technologically and economically and in the aspect of environmental protection.

**Ms. Qian Yuanying, Deputy Chairman and CEO of China Rare Earth**, concluded, "Forming the tri-band phosphors joint venture with an internationally renowned lighting manufacturer and pushing forward with the construction plan of the new polishing powder production line are not going to only help boost development of the energy saving lighting and LCD display industries in China, but will also aid the continuous expansion of our downstream rare earth product business. This will allow us to enhance the added value of our products, and improve competitiveness and market share, which will see us seize more opportunities in the growing market."

### **About China Rare Earth Holdings Limited (Stock Code: 769)**

China Rare Earth Holdings Limited is engaged in the manufacture and sales of rare earth (including fluorescent materials) and refractory products (including high temperature ceramics and magnesium grains). Rare earth products are widely applied in traditional industries including steel, metallurgy, construction glass, and petrochemical, and high-tech industries such as electronics, communications, aerospace and medical equipment. Refractory products are used extensively in industrial refractory facilities for petrochemical, metallurgy, non-ferrous metallurgy, construction glass, chemical fertilizers, ceramics and power industries, etc. For more information, please visit the company's web site at <http://www.creh.com.hk>.

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