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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

The Board of Directors (the "Board") of China Rare Earth Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2013 together with the comparative figures for the corresponding year in 2012 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the year ended 31 December	
		2013	2012
	Note	***HK$'000***	*HK$'000*
Turnover	(3)	**1,488,282**	2,101,918
Cost of sales		**(1,705,842)**	(2,544,843)
Gross loss		**(217,560)**	(442,925)
Other revenue		**11,309**	9,882
Selling and distribution expenses		**(44,476)**	(90,691)
Administrative expenses		**(84,655)**	(82,256)
Other net loss		**(36,873)**	(52,521)
Loss from operations		**(372,255)**	(658,511)
Finance costs	(4)	**–**	(2,821)
Share of losses of joint ventures		**(8,200)**	(25,826)
Loss before taxation	(5)	**(380,455)**	(687,158)
Income tax credit/(charge)	(6)	**10,749**	(12,361)
Loss for the year		**(369,706)**	(699,519)
Attributable to:			
– Owners of the Company		**(354,650)**	(679,702)
– Non-controlling interests		**(15,056)**	(19,817)
		(369,706)	(699,519)
Loss per share	(8)	**HK cents**	HK cents
– Basic and diluted		**(21.20)**	(40.64)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended 31 December	
	2013	2012
	HK$'000	*HK$'000*
Loss for the year	**(369,706)**	(699,519)
Other comprehensive income for the year (net of tax and reclassification adjustments)		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of financial statements of foreign operations	**105,718**	(339)
Exchange differences on translation of financial statements of joint ventures	**3,312**	88
Fair value gain on available-for-sale equity securities	**160**	2,800
	109,190	2,549
Items that will not be reclassified to profit or loss		
Deferred tax arising on change in tax rate	**–**	1,333
Total other comprehensive income for the year	**109,190**	3,882
Total comprehensive loss for the year	**(260,516)**	(695,637)
Attributable to:		
– Owners of the Company	**(246,797)**	(675,811)
– Non-controlling interests	**(13,719)**	(19,826)
	(260,516)	(695,637)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2013	2012
	Note	***HK$'000***	*HK$'000*
Non-current assets			
Goodwill		**–**	–
Property, plant and equipment		**490,781**	405,411
Prepaid lease payments on land under operating leases		**183,844**	182,709
Intangible asset		**–**	43,963
Interests in joint ventures		**105,087**	109,930
Available-for-sale equity securities		**9,680**	9,520
Deferred tax assets		**4,749**	6,321
Other non-current asset		**19,288**	18,703
		813,429	776,557
Current assets			
Prepaid lease payments on land under operating leases		**4,587**	4,448
Inventories		**567,908**	975,218
Trade and other receivables	(9)	**510,922**	478,577
Prepayments and deposits		**48,919**	116,098
Tax recoverable		**2,774**	943
Pledged bank deposits		**–**	52,541
Restricted bank balances		**–**	494
Cash and cash equivalents		**1,369,054**	1,236,290
		2,504,164	2,864,609
Current liabilities			
Trade payables	(10)	**103,652**	94,664
Accruals and other payables		**25,650**	28,439
Amounts due to directors		**1,557**	1,074
Bank borrowings		**–**	49,334
Tax payable		**4,938**	5,932
		135,797	179,443
Net current assets		**2,368,367**	2,685,166

	Note	As at 31 December 2013 HK$'000	2012 HK$'000
Total assets less current liabilities		**3,181,796**	3,461,723
Non-current liabilities			
Deferred tax liabilities		**6,401**	25,812
NET ASSETS		**3,175,395**	3,435,911
CAPITAL AND RESERVES			
Share capital		**167,264**	167,264
Reserves		**2,971,591**	3,218,388
Equity attributable to owners of the Company		**3,138,855**	3,385,652
Non-controlling interests		**36,540**	50,259
TOTAL EQUITY		**3,175,395**	3,435,911

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

The accounting policies used in the consolidated financial statements are consistent with those followed in the preparation of the consolidated financial statements of the Group for the year ended 31 December 2012, except for the new standards, amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants which are effective for accounting periods beginning on or after 1 January 2013. The application of these new standards, amendments and interpretations has no material impact on the results and the financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment is required.

2. SEGMENT INFORMATION

The Group manages its businesses by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to Chief Executive Officer, who has been identified as the Group's chief operating decision maker, for the purposes of resource allocation and performance assessment, the Group has identified two reportable segments as follows:

Rare Earth: Manufacture and sales of rare earth products (including fluorescent products)

Refractory: Manufacture and sales of refractory products (including high temperature ceramics products and magnesium grains)

(a) Segment revenue and results

	Rare Earth		Refractory		Total	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
REVENUE						
Revenue from external customers	**1,090,092**	1,626,524	**398,190**	475,394	**1,488,282**	2,101,918
Inter-segment revenue	**17**	82	**–**	–	**17**	82
Reportable segment revenue	**1,090,109**	1,626,606	**398,190**	475,394	**1,488,299**	2,102,000
RESULTS						
Reportable segment (loss)/ profit	**(372,713)**	(646,884)	**25,415**	22,306	**(347,298)**	(624,578)

(b) Geographical information

Revenue from external customers:

	2013	2012
	HK$'000	*HK$'000*
The People's Republic of China (the "PRC")	**1,193,186**	1,616,145
Europe	**136,295**	163,315
Japan	**116,030**	254,051
The United States of America	**34,338**	48,513
Others	**8,433**	19,894
	1,488,282	2,101,918

3. TURNOVER

	2013	2012
	HK$'000	*HK$'000*
Sales of rare earth products (including fluorescent products)	**1,090,092**	1,626,524
Sales of refractory products (including high temperature ceramics products and magnesium grains)	**398,190**	475,394
	1,488,282	2,101,918

4. FINANCE COSTS

Finance costs represented interest expenses on bank borrowings wholly repayable within five years.

5. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

	2013	2012
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**69,188**	73,171
Amortisation of prepaid lease payments on land under operating leases	**4,512**	4,873
Amortisation of intangible assets	**12,792**	12,598
Impairment loss on goodwill	**–**	21,773
Impairment loss on intangible assets	**31,848**	31,626

6. INCOME TAX CREDIT/(CHARGE)

Income tax credit/(charge) for the year comprises:

	2013	2012
	HK$'000	*HK$'000*
Current tax – PRC Enterprise Income Tax ("EIT")		
– Provision for the year	**(7,068)**	(12,261)
– Under-provision in prior year	**(347)**	–
Current tax – Hong Kong Profits Tax		
– Provision for the year	**–**	(2,414)
Deferred taxation		
– Origination and reversal of temporary differences	**18,164**	2,314
	10,749	(12,361)

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and, accordingly, is exempted from payment of the Cayman Islands income tax.

Hong Kong Profits Tax is calculated at 16.5% (2012: 16.5%) of the estimated assessable profits for the year ended 31 December 2013.

The PRC subsidiaries of the Group are subject to PRC EIT at 25% (2012: 25%). Two PRC subsidiaries are entitled to the exemptions from PRC EIT for two years starting from 2008, followed by a 50% tax relief for the next three years. Two PRC subsidiaries are entitled to a preferential income tax rate of 15%.

7. DIVIDENDS

During the year ended 31 December 2013, no final dividend for previous year was declared and paid. During the year ended 31 December 2012, final dividend for previous year of HK$0.02 per share amounted to HK$33,453,000 was declared and paid.

No final dividend was proposed for the year ended 31 December 2013 (2012: Nil).

8. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately HK$354,650,000 (2012: HK$679,702,000) and the weighted average number of 1,672,643,000 (2012: 1,672,643,000) ordinary shares in issue during the year.

Diluted loss per share is same as basic loss per share as there was no dilutive potential ordinary share during both years ended 31 December 2013 and 31 December 2012.

9. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 30 to 180 days to its customers.

At 31 December 2013, trade and other receivables comprised:

	2013	2012
	HK$'000	*HK$'000*
Trade debtors and bills receivables	**380,441**	373,963
Amounts due from joint ventures	**65,468**	51,978
Other receivables	**65,013**	52,636
	510,922	478,577

An ageing analysis of trade debtors and bills receivables is as follows:

	2013	2012
	HK$'000	*HK$'000*
Less than 6 months	**345,994**	341,050
6 months to less than 1 year	**28,344**	29,083
1 year to less than 2 years	**13,621**	21,695
Over 2 years	**29,811**	28,423
	417,770	420,251
Less: Impairment loss	**(37,329)**	(46,288)
	380,441	373,963

10. TRADE PAYABLES

An ageing analysis of trade payables is as follows:

	2013	2012
	HK$'000	*HK$'000*
Less than 6 months	**96,092**	83,096
6 months to less than 1 year	**3,167**	6,766
1 year to less than 2 years	**2,170**	2,070
Over 2 years	**2,223**	2,732
	103,652	94,664

11. COMMITMENTS

At 31 December 2013, the Group had capital commitments authorised and contracted but not provided for in the consolidated financial statements as follows:

	2013	2012
	HK$'000	*HK$'000*
Acquisition and construction of property, plant and equipment	**12,399**	56,107

12. CONTINGENT LIABILITIES

At 31 December 2013, the joint ventures of the Group were covered by guarantees issued by subsidiaries of the Group to banks in respect of banking facilities granted to the joint ventures to the extent of HK$375,223,000 (2012: HK$333,004,000). The maximum liabilities of the Group under the guarantees were the amounts of the facilities drawn down by the joint ventures, being HK$85,215,000 (2012: HK$102,715,000). No recognition of the guarantees was made because the fair value of it was insignificant and that the directors did not consider it probable that a claim will be made against the Group under the guarantees.

13. LITIGATION

At 31 December 2013, there was still no final judgment on the following disputes involving a joint venture of the Group and a contractor about the quality and settlement of certain plant constructed:

(a) The contractor claimed the joint venture for settling the remaining contract fee unpaid at HK$34,973,000 (2012: HK$33,912,000) for the plant constructed.

(b) The joint venture claimed the contractor for returning the contract fee paid at HK$62,639,000 (2012: HK$60,739,000) for poor construction quality that cannot meet the relevant construction standards.

FINANCIAL RESULTS

Affected by the persistent uncertainty in the global economy and substantial fluctuations in market demand in 2013, the rare earth market remained sluggish. For the financial year ended 31 December 2013, the Group's turnover was HK$1,488,282,000, a reduction of approximately 29% compared to HK$2,101,918,000 last year. Although many ministries and authorities in China have imposed more stringent regulation and supervision measures on the rare earth industry which has contributed to a slight rebound in product prices in the middle of the year, the downtrend in overall product prices during the whole year affected the turnover of rare earth products. Turnover of rare earth products declined by about 33% from about HK$1,626,524,000 last year to HK$1,090,092,000, accounting for about 73% of the Group's total turnover. As the steel and cement industries in China have yet to recover, turnover of the refractory materials business dropped by 16% from HK$475,394,000 last year to HK$398,190,000, accounting for about 27% of the Group's total turnover. Because the range of reduction in product prices was higher than that in raw material prices, the Group recorded an overall gross loss of HK$217,560,000, with a gross loss margin of around 15% (2012: gross loss margin of 21%). Nevertheless, as the results performance in the second half was significantly better than that of the first half, annual gross loss has improved compared to the loss of HK$273,480,000 reported in the interim period, reflecting the continuous improvement in operating environment. After taking into account selling and administrative expenses and taxation, the Group recorded a net loss of HK$369,706,000, significantly lower than that of HK$699,519,000 in 2012 by approximately 47%. Loss per share was approximately 21.20 HK cents (2012: loss per share of 40.64 HK cents).

FINAL DIVIDEND

As the Group continued to record losses, the Board did not recommend the payment of a final dividend for 2013.

ANNUAL GENERAL MEETING

The 2014 Annual General Meeting will be held on 6 June 2014 (Friday). A notice convening the annual general meeting will be published and dispatched to shareholders of the Company in accordance with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") in due course.

CLOSURE OF REGISTER OF MEMBERS

The Company's register of members will be closed from 3 June 2014 to 6 June 2014, both days inclusive, during which period no transfer of shares will be registered. To ensure that shareholders are entitled to attend and vote at the forthcoming annual general meeting, shareholders must deliver their duly stamped instruments of transfer, accompanied by the relevant share certificates, to the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 30 May 2014 for registration of the relevant transfer.

BUSINESS REVIEW

Rare Earth Business

Prices of rare earth products continued to decline in 2013, which caused the overall turnover of the Group's rare earth business to decrease continuously by approximately 33% from HK$1,626,524,000 last year to HK$1,090,092,000 this year. Gross loss margin of the Group's rare earth business, however, dropped from 32% last year to 25% this year. Segmental loss was HK$372,713,000, a reduction of about 42% from HK$646,884,000 last year.

The prices of many rare earth products continued the downward trend and declined significantly during the year. The average selling price of lanthanum oxide, cerium oxide, samarium oxide, gadolinium oxide and dysprosium oxide decreased by around 60% to 80% compared to last year, while those of neodymium oxide, europium oxide, erbium oxide, terbium oxide and yttrium-europium coprecipitates dropped by about 30% to 50%. The Group sold around 4,400 tonnes of rare earth oxides during the year under review, which was around 60% more than last year. However, the increase was mainly in those products such as lanthanum oxide and cerium oxide with relatively cheaper selling prices. Thus, the pace of growth in sales volume could not entirely offset the price drop of rare earth products. This together with the change in product sales mix have led to a lower overall turnover in the rare earth business when compared with last year.

During the year, the Chinese Government strengthened the implementation of production limits for rare earth enterprises and the Group has adjusted its production volume in line with the policies. The production volume of the Group's rare earth products dropped by about 8% compared with last year while trading volume increased slightly by less than 200 tonnes. This apparent discrepancy has reflected that the notable growth in sales volume was mainly coming from reducing inventory level. To cope with uncertain market conditions, the Group has maintained flexibility on its liquid fund by strategically reducing its inventory level. The rare earth inventory was 40% less at the end of the year than it was at the beginning of the year.

As for costs, material cost still accounted for more than 90% of the Group's production costs. Although the average price of rare earth raw materials dropped by about 30% when compared with last year, the decrease in production volume and increase in wages limited the substantial reduction in average cost. However, the inventory provision made in the year was substantially lower than that in last year, which resulted in decreased gross loss margin for the year.

The Group's polishing powder production line has been engaged in trial production since July 2013. Several samples were sent to customers for testing and evaluation. As most of the samples are still undergoing testing and evaluation, such production line has not yet made a notable contribution to the Group's sales. However, the Group is confident that the demand for polishing powder will continue to rise along with the launch of more optical and liquid-crystal display (LCD) products.

For the rare earth metals division, lanthanum metals and neodymium metals continued to be the main rare earth metals products produced by the Group. Adversely affected by the weak downstream market, the sales volume declined around 50% in 2013, as did the average selling price which dropped by around 25% to 40%. As a result, the sales amount decreased by more than 60% year-on-year. After deducting costs including amortisation of intangible assets, the gross loss margin enlarged to around 20%. Facing uncertain prospects, the Group made a prudent projection assessment about the future market which led to a decision of full impairment on the remaining intangible assets in this segment valued at more than HK$30,000,000. After that, it is believed that such division can more reasonably reflect the return on assets in the future.

Geographically, China remained as the major market of the Group's rare earth products, accounting for around 79% of the total sales of rare earth products. Europe became the largest export market and accounted for around 13% of the total. The weak economic condition in Japan has resulted in marked reduction in the sales amount to that market. Its share of the segment sales reduced from about 8% last year to about 4% this year, while the US accounted for about 3% of the segment sales.

Refractory Materials Business

During the year, total turnover of the Group's refractory materials business dropped around 16% from HK$475,394,000 last year to HK$398,190,000. Gross profit margin was approximately 15%. Segmental profit amounted to HK$25,415,000, which was approximately 14% higher than HK$22,306,000 in the previous year.

The slower economic growth in China and the overcapacity in the steel and cement industries has hindered development of these businesses. In addition, keen competition in the refractory materials industry have dragged down the Group's sales volume of refractory materials in the state continuously. A relatively weak Japanese economy has also contributed to the decreasing exports to that country. Besides, after its joint venture, Yixing AGC Ceramics Co., Ltd., started operation in 2012, the Group gradually consigned certain Japanese orders including magnesia-alumina spinel bricks to it, so the sales volume of the Group itself decreased accordingly. During the year, the Group sold around 28,400 tonnes of ordinary refractory materials and high temperature ceramics products, a drop of about 30% when compared with last year. The average selling price of major products such as fused magnesium chrome bricks, alumina-graphite bricks, unshaped refractory materials and Sialon series of high temperature ceramics products remained relatively flat with less than 5% deviation when compared with last year. As for costs, major material prices did not change significantly and the average selling price of silicon carbide increased by less than 15% from last year. However, the lower production volume has boosted the average production cost, which together with the increase in the average labour cost, led to the drop in gross profit margin of the division to around 10%.

Regarding the magnesium grain business, the production workflow of high purity magnesium grain has become more mature and the production volume has gradually increased since it started operation at the end of 2010. The sales volume of fused magnesium grain and high purity magnesium grain rose by more than 10% to around 79,000 tonnes and their selling prices slightly dropped by less than 10%. The turnover grew by less than 5% and gross profit margin was slightly reduced to around 17%.

By market segment, as some of the export orders were transferred to the joint venture, which was not reflected in the Group's export sales, the proportion of the Group's refractory materials for export dropped to around 18% and domestic sales occupied the remaining 82%.

Joint Venture Projects

OSRAM (China) Fluorescent Materials Co., Ltd., the joint venture set up with OSRAM GmbH, keeps on improving performance after completing testing and modulation of the production workflow. During the year, it recorded a turnover of approximately HK$154,685,000 and its sales volume surged from 200 tonnes in 2012 to around 300 tonnes. Because of the weak market and demand, sales volume has not yet reached the pre-set goal at the initial investment period. Compared with last year, the selling prices of products dropped by around 20% to 30% in average. The joint venture recorded a modest profit after deducting cost of sales. Though it was not enough to offset other administrative and finance costs, its performance is a valid indicator of the gradual improvement of the business. In the long run, the joint venture should contribute to the Group's profit growth. That company recorded a net loss of around HK$19,983,000 for the year.

As the Group's partner, OSRAM GmbH, has changed its business strategy in China, after negotiation, it decided to dispose of its 50.1% interest in the joint venture to the Group in September 2013 at a favourable price of HK$15,132,500. After the transaction completed on 22 January 2014, that company has now become a wholly-owned subsidiary of the Group and renamed as Yixing Silver Mile Fluorescent Materials Company Limited. As at the transaction completion date, that company had net assets of approximately HK$74,582,000 after assessment. The transaction will enable the Group to consolidate its overall sales approach, expand its sales network and customer base, and further optimise its operation and management, thus increasing the return on its investment.

In addition, the Group's another joint venture, Yixing AGC Ceramics Co., Ltd. setting up with Asahi Glass Ceramics Co., Ltd. from Japan, sold approximately 12,800 tonnes of sintered refractory materials during the year under review, up more than a double from the previous year. On top of serving its major market Japan, that company also started expanding its market domestically with small quantity during the year. Along with the growth of sales volume, it recorded a little gross profit margin in the year. Although its profit was not enough to offset the management and administrative costs, this performance nonetheless represents a significant improvement. When this joint venture becomes more mature and implements more effective cost control measures, it is expected to bring a contribution to the Group in the future.

PROSPECTS

In 2013, the domestic rare earth market presented myriad challenges, but market conditions have slightly improved in the second half. Following the regulating measures of the rare earth industry implemented by the various ministries and authorities in August that coping with illegal industry practices, the industry started to bottom out. Under favourable Chinese government policies and a better global economy in 2014, the domestic rare earth market appears to have gradually revived. The market prices of most rare earth products stabilised in the first quarter of 2014. After the government policies of hoarding up rare earth resources and establishing large rare earth enterprises are being clear, the rare earth industry in China is expected to develop in a more orderly and healthier environment, and the prices of rare earth products are expected to gradually rise.

Although more countries have started to exploit their indigenous rare earth resources which will create uncertainties for the market, domestic producers in China still enjoy the competitive advantages in scale of development and exploitation cost, so the country will remain as the largest supplier in the global market in the coming years. On the other hand, the eventual stabilisation of the European and the US economies should positively affect market demand. The Group will retain its existing conservative strategies and hopefully when market confidence returns, results improvement will be seen for the rare earth business during 2014.

The Group's polishing powder products are gaining wider customer recognition. After the production line upgrades its technology and starts sales, the Group will be able to expand its market coverage and customer base. The product structure and mix will be improved as well.

For the refractory materials business, although the economy in Japan, its major overseas market, has not yet recovered and the keen competition in the industry will continue to bring challenges, the Group will leverage its solid business foundation to improve its service, so it can enhance its competitiveness by providing better product quality and services. It will also strengthen research and development and upgrade its production technology with the aim to reinforce its position in the industry and achieve sustainable growth.

LIQUIDITY AND FINANCIAL RESOURCES

The Group has continued to maintain prudent capital arrangements, and has sufficient cash on hand. As at 31 December 2013, the Group had cash and bank deposits valued at approximately HK$1,369,054,000. During the year under review, the Group has repaid all of its bank loans. The Group had a balance of net current assets valued at approximately HK$2,368,367,000, with the total liabilities to total assets ratio reduced to around 4%.

The Group had no charge on assets, nor has it held any financial derivative products. It was not exposed to material interest rate risk. Regarding foreign exchange, most of the Group's assets, liabilities and transactions are denominated in Renminbi, and the rest are in US dollars or Hong Kong dollars. During the year under review, the exchange rates of Renminbi, US dollar and Hong Kong dollar were stable.

Two subsidiaries of the Group in China provided corporate guarantees to two local banks to facilitate the two joint ventures to obtain loan financing. As at the end of the year, the two joint ventures had drawn loans of RMB39,000,000 and RMB27,996,000 from the banks respectively based on the guarantees.

Brought forward from last year, the dispute between OSRAM (China) Fluorescent Materials Co. Ltd., a joint venture of the Group, and a contractor of its plant concerning the quality and settlement of its plant constructed has not yet been resolved. The contractor has still pursued litigation against the joint venture to recover the remaining unpaid contract fee of about HK$34,973,000. The joint venture has also submitted a legal claim against the contractor for the contract fee already paid of about HK$62,639,000.

STAFF AND REMUNERATION

As at 31 December 2013, the Group had a workforce of approximately 1,000 including university graduates and experienced professionals. The Group provided a comprehensive staff remuneration and welfare system. During the year, the Group spent approximately HK$63,339,000 on staff costs, including directors' emoluments. It also provided regular on-the-job training and study opportunities to employees to assist them in maintaining professional standards.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

There has been no purchase, sale or redemption of any of the Company's listed securities by the Group during the year ended 31 December 2013.

AUDIT COMMITTEE

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including the review of the audited consolidated financial statements for the year ended 31 December 2013.

CORPORATE GOVERNANCE

The Company has adopted its own code of corporate governance based on the principles and code provisions as set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules. During the year under review, the Company has complied with the code provisions set out in Appendix 14 of the Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has devised its own code of conduct regarding directors' dealing in the Company's securities (the "Company Code") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Specific enquiry has been made to all directors and the directors have confirmed that they have complied with the Company Code and the Model Code throughout the year under review.

MEMBERS OF THE BOARD

As at the date of this announcement, the Board consists of Mr. Jiang Quanlong, Ms. Qian Yuanying and Mr. Jiang Cainan as executive directors and Mr. Huang Chunhua, Mr. Jin Zhong and Mr. Wang Guozhen as independent non-executive directors.

By order of the Board
China Rare Earth Holdings Limited
Jiang Quanlong
Chairman

Hong Kong, 28 March 2014