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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)

**ANNUAL RESULTS ANNOUNCEMENT
 FOR THE YEAR ENDED 31 DECEMBER 2016**

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 2016 together with the comparative figures for the corresponding year in 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the year ended	
		31 December	
		2016	2015
	<i>Note</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Revenue	(3)	709,120	843,110
Cost of sales		<u>(704,190)</u>	<u>(943,575)</u>
Gross profit/(loss)		4,930	(100,465)
Other income		4,946	5,600
Selling and distribution expenses		(16,648)	(28,075)
Administrative expenses		(66,069)	(73,321)
Impairment loss on property, plant and equipment		–	(94,916)
Impairment loss on prepaid lease payments on land under operating leases		–	(14,753)
Other operating expenses		(11,055)	–
Other net (loss)/gain		<u>(10,603)</u>	<u>43,283</u>
Loss from operations		(94,499)	(262,647)
Finance costs	(4)	<u>(3,904)</u>	<u>(1,436)</u>
Loss before taxation	(5)	(98,403)	(264,083)
Income tax charge	(6)	<u>(9,473)</u>	<u>(3,535)</u>
Loss for the year		<u>(107,876)</u>	<u>(267,618)</u>

	For the year ended	
	31 December	
	2016	2015
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the year attributable to:		
Owners of the Company	(104,242)	(256,650)
Non-controlling interests	<u>(3,634)</u>	<u>(10,968)</u>
	<u>(107,876)</u>	<u>(267,618)</u>
Loss per share		
Basic and diluted	(8) <u>HK 4.45 cents</u>	<u>HK 11.98 cents</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

	For the year ended	
	31 December	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the year	<u>(107,876)</u>	<u>(267,618)</u>
Other comprehensive loss for the year (net of nil tax and reclassification adjustments)		
<i>Items that may be reclassified subsequently</i> <i>to profit or loss:</i>		
Exchange differences on translation of financial statements of foreign operations	(173,633)	(173,020)
Fair value gain on available-for-sale equity securities	–	18,931
Release of fair value reserve upon disposal of available-for-sale equity securities	<u>–</u>	<u>(29,491)</u>
	<u>(173,633)</u>	<u>(183,580)</u>
Total comprehensive loss for the year	<u>(281,509)</u>	<u>(451,198)</u>
Total comprehensive loss for the year attributable to:		
Owners of the Company	(277,115)	(439,038)
Non-controlling interests	<u>(4,394)</u>	<u>(12,160)</u>
	<u>(281,509)</u>	<u>(451,198)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2016	2015
	Note	HK\$'000	HK\$'000
Non-current assets			
Goodwill		–	–
Property, plant and equipment		319,212	400,936
Prepaid lease payments on land under operating leases		139,692	153,358
Deferred tax assets		4,525	4,695
Other non-current asset		16,953	18,100
		480,382	577,089
Current assets			
Prepaid lease payments on land under operating leases		3,956	4,379
Inventories		192,975	341,221
Trade and other receivables	(9)	281,622	416,580
Prepayments and deposits		288,306	414,840
Tax recoverable		1,642	1,258
Restricted bank deposits		16,993	36,178
Cash and cash equivalents		1,649,125	1,396,365
		2,434,619	2,610,821
Current liabilities			
Trade and bills payables	(10)	101,317	166,894
Accruals and other payables		74,019	78,248
Amounts due to directors		3,245	2,804
Bank and other borrowings	(11)	78,033	–
Tax payable		2,561	2,554
		259,175	250,500
Net current assets		2,175,444	2,360,321
Total assets less current liabilities		2,655,826	2,937,410
Non-current liabilities			
Deferred tax liabilities		811	886
NET ASSETS		2,655,015	2,936,524

	As at 31 December	
	2016	2015
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
CAPITAL AND RESERVES		
Share capital	234,170	234,170
Reserves	2,411,514	2,688,629
	<hr/>	<hr/>
Equity attributable to owners of the Company	2,645,684	2,922,799
Non-controlling interests	9,331	13,725
	<hr/>	<hr/>
TOTAL EQUITY	2,655,015	2,936,524
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT 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 2015, 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 2016. The application of the 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)

The measure used for reporting segment profit/(loss) is "adjusted profit before interest, taxes, depreciation and amortisation".

(a) Segment revenue and results

	Rare Earth		Refractory		Total	
	2016	2015	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE						
Revenue from external customers	436,477	500,419	272,643	342,691	709,120	843,110
Inter-segment revenue	28	35	–	–	28	35
Reportable segment revenue	<u>436,505</u>	<u>500,454</u>	<u>272,643</u>	<u>342,691</u>	<u>709,148</u>	<u>843,145</u>
RESULTS						
Reportable segment (loss)/profit	<u>(46,465)</u>	<u>(244,039)</u>	<u>26,966</u>	<u>44,688</u>	<u>(19,499)</u>	<u>(199,351)</u>

(b) **Geographical information**

Revenue from external customers:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
The People's Republic of China (the "PRC")	551,484	616,089
Japan	65,042	73,638
Europe	42,926	83,785
The United States of America (the "US")	29,724	40,520
Others	19,944	29,078
	<u>709,120</u>	<u>843,110</u>

3. REVENUE

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Sales of rare earth products (including fluorescent products)	436,477	500,419
Sales of refractory products (including high temperature ceramics products and magnesium grains)	272,643	342,691
	<u>709,120</u>	<u>843,110</u>

4. FINANCE COSTS

Finance costs represented interest expenses and finance charges on bank and other borrowings wholly repayable within five years.

5. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Depreciation of property, plant and equipment	60,177	78,443
Amortisation of prepaid lease payments on land under operating leases	4,223	4,511
Expenses incurred during temporary suspension of production	11,055	–
	<u>11,055</u>	<u>–</u>

6. INCOME TAX CHARGE

Income tax charge for the year comprises:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current tax – PRC Enterprise Income Tax		
– Provision for the year	(1,477)	(663)
– Withholding tax on unremitted earnings	<u>(8,147)</u>	<u>(2,429)</u>
	(9,624)	(3,092)
Deferred taxation		
– Origination and reversal of temporary differences	<u>151</u>	<u>(443)</u>
	<u><u>(9,473)</u></u>	<u><u>(3,535)</u></u>

The Company and its subsidiaries incorporated in the Cayman Islands and the British Virgin Islands respectively are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation.

No provision for Hong Kong Profits Tax is provided for as the Group has no estimated assessable profits arising in Hong Kong during the years ended 31 December 2016 and 2015.

PRC Enterprise Income Tax is calculated at the statutory income tax rate of 25% on the estimated assessable profits of the Company's subsidiaries established in the PRC for the years ended 31 December 2016 and 2015, among which one subsidiary is entitled to a preferential income tax rate of 15%.

The PRC Enterprise Income Tax Law also requires withholding tax of 5% or 10% upon distribution of profits by the PRC subsidiaries since 1 January 2008 to its overseas (including Hong Kong) shareholders.

7. DIVIDEND

No final dividend for previous year was declared and paid during the year ended 31 December 2016 (2015: Nil).

No final dividend was proposed for the year ended 31 December 2016 (2015: 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\$104,242,000 (2015: HK\$256,650,000) and the weighted average number of approximately 2,341,700,000 (2015: 2,141,900,000) ordinary shares in issue during the year ended 31 December 2016.

Diluted loss per share equals to the basic loss per share as the Company has no dilutive potential ordinary share outstanding during the years ended 31 December 2016 and 2015.

9. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 0 to 180 days to its customers.

Trade and other receivables of the Group comprised:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade debtors and bills receivables	224,132	338,594
Amount due from a related company	4,957	5,293
Other receivables	4,859	9,434
Other tax refundable	47,674	63,259
	<u>281,622</u>	<u>416,580</u>

An ageing analysis of trade debtors based on the invoice date and bills receivables based on the issuance date is as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Less than 6 months	130,307	208,747
6 months to less than 1 year	34,062	46,823
1 year to less than 2 years	47,532	84,816
Over 2 years	46,414	28,526
	<u>258,315</u>	<u>368,912</u>
Less: Impairment loss on trade debtors and bills receivables	<u>(34,183)</u>	<u>(30,318)</u>
	<u>224,132</u>	<u>338,594</u>

10. TRADE AND BILLS PAYABLES

An ageing analysis of trade payables based on the invoice date and bills payables based on the issuance date is as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Less than 6 months	62,869	143,233
6 months to less than 1 year	21,137	16,135
1 year to less than 2 years	13,168	4,869
Over 2 years	4,143	2,657
	<u>101,317</u>	<u>166,894</u>

11. BANK AND OTHER BORROWINGS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Bank borrowings	50,084	–
Other borrowings	27,949	–
	<u>78,033</u>	<u>–</u>

At 31 December 2016, all bank borrowings were denominated in Renminbi, unsecured, fixed rate borrowings which carry prevailing interest rate at a range of 3% to 5% per annum and repayable within one year (2015: Nil).

At 31 December 2016, other borrowings were denominated in Renminbi, secured by buildings situated in the PRC with carrying amount of approximately HK\$32,393,000 and leasehold land located in the PRC with carrying amount of approximately HK\$9,108,000, with monthly finance charge at a rate of 2.7% and repayable within one year (2015: Nil).

During the year ended 31 December 2015, the Group obtained bank borrowings of approximately HK\$71,919,000, which carried fixed interest rate at 4% per annum and were repaid in full during that year.

12. COMMITMENTS

At 31 December 2016, the Group had capital commitments authorised and contracted but not provided for in the consolidated financial statements as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Acquisition and construction of property, plant and equipment	<u>1,405</u>	<u>9,364</u>

FINANCIAL RESULTS

For the financial year ended 31 December 2016, the Group recorded a revenue of approximately HK\$709,120,000, declining by approximately 16% when compared with HK\$843,110,000 in 2015.

Policies unfolded in the PRC in 2016 have made the development framework of the Chinese rare earth industry for the next five years definitely with an aim to expedite the transformation and upgrade of the industry and to fuel realization of the long-term objective of a sustainable and healthy development of rare earth.

The overall market continued its downturn in the course of industry rectification though. Against a backdrop of inadequate market demand coupled with unceasing impacts on the market by illegal low-priced rare earth products, prices and sales volume of major rare earth products of the Group dropped to various extents comparatively. The Group has thus adjusted its product portfolio and sold more high-priced products to alleviate the decrease in sales. In 2016, revenue from the Group's rare earth products amounted to approximately HK\$436,477,000, representing a decrease of about 13% when compared with HK\$500,419,000 in 2015 and accounting for 62% of the total revenue. As for refractory material products, the market conditions remained challenging and revenue was approximately HK\$272,643,000, representing a decrease of about 20% when compared with HK\$342,691,000 in 2015 and accounting for 38% of the total revenue.

During the year, the Group has reduced some business volume of its loss making rare earth segment and thus altered the situation in which negative gross profit margin was being recorded for the past few years. Net loss of the Group narrowed from approximately HK\$267,618,000 in 2015 to approximately HK\$107,876,000 in 2016 by about 60%. In addition to cutting loss by reducing business volume, no impairment loss was made for the year while impairment had been made in respect of non-current assets of about HK\$109,669,000 in total in 2015. Loss per share has remarkable improvement from about HK11.98 cents in 2015 to about HK4.45 cents for the year.

FINAL DIVIDEND

As the Group continued to record losses, the Board did not recommend the payment of a final dividend for 2016.

ANNUAL GENERAL MEETING

The 2017 Annual General Meeting (the "AGM") will be held on 16 June 2017 (Friday). A notice convening the AGM 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 13 June 2017 (Tuesday) to 16 June 2017 (Friday), 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 AGM, 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 12 June 2017 (Monday) for registration of the relevant transfer.

BUSINESS REVIEW

Rare Earth Business

In 2016, the rare earth industry in general remained clouded by the sluggish global economy with market demand retarded and downturn continued. The ineffectiveness in rectifying and monitoring rare earth in China has also made illegal exploitation and irregular production rampant and led to over-supply of rare earth. Amid fierce competition, product prices continued their volatile declines. As a result, a majority of the rare earth mines and smelting and separation enterprises recorded losses under sustained difficult operating conditions, and many of them chose to halt production for consolidation or reduced production for preservation of value. During the session of the 2016 G20 Hangzhou Summit, local governments also encouraged enterprises in the regions to reduce business volume to act in concert with dedicated supervisions for the sake of security of the summit. Besides, in July 2016, the national environmental protection ("EP") inspection teams stationed in eight provinces (including Jiangsu) to conduct EP inspections, during which enterprises in issue were commanded to either rectify at once, to rectify within a specified timeline or to close down or be eradicated and held accountable. Consequently, many rare earth enterprises were in nil-operation or half-operation situations.

The Group has temporarily suspended its production for about three months conducting an internal consolidation during the year to secure operational quality, under which production procedures and human resources were rationally deployed and production was curtailed under the principle of aggregating control as the production volume decreased by about 70% when compared with that in 2015 while products purchased outside increased to retain customers. In 2016, revenue of the Group's rare earth business was approximately HK\$436,477,000, decreased by about 13% when compared with HK\$500,419,000 in 2015. Owing to the weak rare earth industry, product prices dropped in general and the drop in sales volume was even larger. Thanks to the Group's change of product portfolio, the drop in sales of rare earth was relatively mild and gross loss margin of the segment has thus improved much as it descended from about 26% in 2015 to about 6% for the year.

The Group sold approximately 1,950 tonnes of rare earth oxides in total during the year, a decrease of over 40% when compared with 2015. As for product prices, the prices continued their volatile declines despite a short-lived recovery after the completion of two rounds of the rare earth hoarding reserve plan in April and May 2016. The average selling prices for the whole year of 2016 declined when compared with those in 2015, among them the selling prices of praseodymium oxide, neodymium oxide, erbium oxide and terbium oxide dropped by approximately 10%; those of cerium oxide, lutetium oxide and dysprosium oxide dropped by approximately 20%; and those of lanthanum oxide, samarium oxide and europium oxide dropped by approximately 30% to 50%. As for raw materials, thanks to the procurement agreement entered into between the Group and certain suppliers in 2015 in the form of prepayment, the Group was able to purchase rare earth minerals at more favorable prices, and also thanks to the decrease in the price of rare earth, the average unit costs of major rare earth minerals dropped by around 20% when compared with that of 2015.

With regard to fluorescent materials, the Group sold about 430 tonnes of products, increased by approximately 7% when compared with that of 2015. Due to the fall in product prices, for example, the selling price of green phosphors fell by about 15%; while that of blue and red phosphors fell by about 30%, sales amount for the year recorded a decrease of around 13% year-on-year. As to costs, the fall in prices of rare earth oxides, the key raw materials of phosphors, and the provision for impairment made by the Group in respect of certain production facilities in 2015, has reduced the amortised cost and resulted in the gross loss margin sliding to below 5% in 2016.

During the year, the Group has consolidated the production procedures and human resources of its rare earth business, eliminated some unskilled staff and lessened certain labor costs. Besides, after the abolition of export tariffs on rare earth in May 2015 in China, selling expenses decreased accordingly. Expenses of approximately HK\$11,055,000 incurred during the period of rectification and production suspension were stated under other operating expenses item.

Geographically, China remained the largest market for the Group's rare earth products, accounting for around 72% of the sales in rare earth business of the Group. For overseas markets, Japan, Europe and the US accounted for around 9%, 9% and 7% respectively.

Refractory Materials Business

Looking back in 2016, the economic development of China has continued to slow down. According to reports made by China Iron and Steel Industry Association, benefited from the recovery in market prices, the iron and steel industry of China has taken a favorable turn from a deadlock of "industry-wide loss-making" during the first three quarters, but it takes time to recover for the industry. Meantime, industries of cement and sheet glass and the like are still beset by conflicts associated with over-capacity and require further industry structural adjustments. In this regard, market conditions of the refractory materials are still enveloped with uncertainties.

In 2016, segment revenue of the Group's refractory materials was approximately HK\$272,643,000, decreased by about 20% when compared with approximately HK\$342,691,000 in 2015. Gross profit margin rose slightly from about 8% in 2015 to about 11% this year.

The Group sold approximately 26,000 tonnes of ordinary refractory materials and high temperature ceramics products in 2016, slightly or 2% lower than that of 2015. In terms of product selling prices, principal products such as magnesium chrome bricks declined by about 10% year-on-year, casting materials declined by around 5%, while the prices of alumina-graphite bricks and high temperature ceramics products remained flat when compared with 2015. Although the sales volume and the average selling price underwent minor changes, the drop in sales volume of some high temperature ceramics products with higher selling prices was significant, a drop of about 60%, such that related sales amount was about 20% lower than that of 2015. The proportion of trading section of the contracting businesses that was making severer loss in 2015 has been reduced notably in 2016, gross profit margin restored to about 9%.

Regarding the magnesium grain business, the development was steady with increased production hours when compared with 2015. The sales volume was 67,000 tonnes, about 5% higher than that of 2015. The sales amount was also similar to that of 2015 with price variation within 5% while gross profit margin went up slightly to about 15%.

Geographically, China remained the Group's core market for refractory materials business with sales accounted for about 86% of the segment. With respect to overseas markets, sales to Japan fell owing to a fragile local economy that less refractory materials were purchased from China, accounting for about 9%. On the other hand, as the Group continued to explore overseas market for high temperature ceramics products, sales proportion to Europe and the Middle East and other markets rose to about 5%.

PROSPECTS

The industry development has been perplexed by issues such as sustained downturn of rare earth prices, coupled with intensive competition among industry players, over-capacity and irregular extractions. In the future, China will, by ways of closure, elimination and transformation and the like, enhance industry centralization, resolve over-capacity, eliminate straggly enterprises, upgrade and optimize industrial structure, focus on development of high-end materials and exert more effort in input for environmental protection. The Ministry of Industry and Information Technology has proposed at a rare earth industry forum that, during the period of the 13th Five-year Plan, the rare earth industry will be devoted to promotion of supply-side reform and accomplish the formation of the six major rare earth groups. It has also put forward cracking down on illegal and irregular acts in the rare earth industry, as well as

establishing product track systems, implying that illegal extraction of rare earth can be curbed, and that eradicating illegal mining will pave way for recovery of the industry. On the other hand, it is expected that with the strengthening market influence of the six major rare earth groups, the industry order can be more organised and the prices of rare earth can be elevated through concerted price-preserving and production restriction efforts. At this point, it is hopeful that the rare earth market will be recovered in sound condition and that the industry will deepen its development through reformation and innovation.

The PRC has completed a new round of rare earth hoarding reserve plan in January 2017, the tender of which has solicited more active response from players in this sector with pricing ascended when compared with last time. As a result, market price of rare earth has a few signs of recovery in the first quarter of 2017.

The People's Government of Jiangsu Province in China has issued the "Provincial Government's Implementation Opinions in relation to In-depth Promotion of Transformation and Development for the Chemical Industry in the Province" in October 2016, and the Provincial Party Committee of Jiangsu and the People's Government of Jiangsu Province has issued the notice on the publication of the "Dedicated Action Proposal for 'Two Reductions, Six Treatments and Three Enhancements'" in December. The launch of these two provincial policy documents have brought up new and stricter requirements for the Group's production and development, which involve not only upgrading EP treatment measures, cutting down emissions significantly and controlling environmental risks, but also reinforcing sustainable development capacity and integrated competitiveness in the course of transformation and development. Over the years, the Group has always placed a high priority on environmental protection and has, through upgrading of its EP facilities, adoption of various EP measures and stringent control over environmental risks, turned EP to essentials securing the Group's production and operation. The Group has also persisted in development through innovation, in research and development of new products and new technologies, such as the remarkable progress made in the R&D of products particle size control and the enhancement of high purity products and crafts, thus showcasing the impetus for the Group's sustainable development and product technological innovation in future.

Besides, the Group is in active study of the feasibility for acquisition of a Magnesite mine in northeast of China, in the hope of accelerating materialization of its development layout in respect of refractory materials and advancing a synergic effect with the Group's businesses so as to lay a solid foundation for future industrial transformation.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintains prudent capital arrangements and retains adequate liquidity. As at 31 December 2016, the Group had cash and bank deposits valued at a total of approximately HK\$1,666,118,000. Net current assets amounted to approximately HK\$2,175,444,000, with the total liabilities to total assets ratio at around 9%.

The Group signed supply contracts with certain suppliers in 2015 and made prepayments exceeding HK\$400,000,000 in aggregate for rare earth materials and products in the hope of securing sufficient supply of raw materials and products at advantageous prices. After operation of the same for one year, and owing to the fact that the Group had reduced its production, some rare earth materials suppliers have delayed their delivery upon request by the Group and the Group has recouped RMB120,000,000 of prepayments in aggregate from those suppliers. There were some rare earth products suppliers who have performed their supply obligations under prepayments in smooth cooperation and renewed such prepayment agreements in 2016 in the light of the Group's increased trading volume. As at 31 December 2016, the Group had prepayments of approximately HK\$250,000,000 for rare earth on book.

The Group's trade receivables declined at the end of the year along with the year-on-year decrease of 16% in revenue. As at 31 December 2016, trade debtors and bills receivables of the Group amounted to approximately HK\$258,315,000. There was one customer who was involved in the rare earth hoarding reserve plan in the PRC and encountered some delay in its capital arrangement, with the trade receivables involved ageing over one year amounted to approximately HK\$36,847,000. Although such customer had no bad debt risk, ageing analysis and turnover days of Group's trade receivables were inevitably affected. In addition, the feeble refractory materials market has worsened deferring in payment by some customers and in respect of which the Group has, after prudent consideration, increased its impairment allowance for doubtful debts. The Group is closely monitoring the repayment situation of customers and negotiating with them for collection in a timely manner.

During the year, one the subsidiaries of the Group in the PRC had acquired short-term loans totaled RMB69,800,000 from banks and financial institutions, among which land and plant with a carrying amount of approximately HK\$41,501,000 was pledged.

Save for the above, the Group had no charge on its assets, nor has it held any financial derivative products. It was not exposed to any material interest rate risk. As for foreign exchange, most of the Group's assets, liabilities and transactions are denominated in Renminbi, and the rest are in the US dollars or Hong Kong dollars. The exchange rates of these currencies have been stable. The Group will continue to monitor closely the volatility and changes of exchange rates and make efforts to lower its financial risks.

STAFF AND REMUNERATION

The Group has optimized its manpower structure according to its development strategies and business needs. Following the rectification of part of the manpower in the rare earth business, as at 31 December 2016, the Group had a workforce of approximately 700, including a number of experienced professionals and university graduates. Staff costs decreased as the number of employee dropped when compared with that of 2015. During the year, the Group spent an aggregate of approximately HK\$54,886,000, around 20% less from 2015, on staff costs, including directors' emoluments. Just as in the past, regular training and study opportunities were provided to employees to assist them in maintaining professional competence.

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 2016.

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 2016.

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 (the "CG Code") contained in Appendix 14 of the Listing Rules. During the year ended 31 December 2016, the Company has complied with the code provisions set out in Appendix 14 of the Listing Rules, except for the following:

Pursuant to the CG Code provision E.1.2, the chairman of the board should attend the annual general meeting. Mr. Jiang Quanlong, the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 3 June 2016 due to other business commitment. Ms. Qian Yuanying, the Deputy Chairman of the Board, was delegated to attend and respond to questions from shareholders on behalf of Mr. Jiang Quanlong. The Company will arrange for a more flexible schedule in order to facilitate the Chairman to attend the Company's annual general meeting.

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 all the directors have confirmed that they have complied with the Company Code and the Model Code throughout the year ended 31 December 2016.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.creh.com.hk). The 2016 annual report will be dispatched to the shareholders and published on the aforesaid websites in due course.

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, 30 March 2017