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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)

**INTERIM RESULTS ANNOUNCEMENT  
 FOR THE SIX MONTHS ENDED 30 JUNE 2019**

**INTERIM RESULTS**

The Board of Directors (the “Board”) of China Rare Earth Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2019 together with the comparative figures for the corresponding period in 2018 as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

	Note	For the six months ended 30 June	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue	(3)	438,972	434,626
Cost of sales		(395,994)	(416,221)
<b>Gross profit</b>		<b>42,978</b>	18,405
Other income		2,594	2,411
Selling and distribution expenses		(4,843)	(5,262)
Administrative expenses		(22,041)	(26,606)
Other operating expenses		–	(8,647)
Other net (loss)/gain		(1,769)	10,487
<b>Profit/(loss) from operations</b>		<b>16,919</b>	(9,212)
Finance costs	(4)	(221)	–
<b>Profit/(loss) before taxation</b>	(5)	<b>16,698</b>	(9,212)
Income tax charge	(6)	(2,603)	(2,470)
<b>Profit/(loss) for the period</b>		<b>14,095</b>	(11,682)
<b>Profit/(loss) for the period attributable to:</b>			
Owners of the Company		13,939	(11,372)
Non-controlling interests		156	(310)
		<b>14,095</b>	(11,682)
<b>Earnings/(loss) per share</b>			
Basic and diluted	(8)	<b>HK 0.60 cents</b>	HK (0.49) cents

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

	<b>For the six months ended 30 June</b>	
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Profit/(loss) for the period</b>	<b>14,095</b>	(11,682)
<b>Other comprehensive loss for the period (net of nil tax and reclassification adjustments)</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of foreign operations	<u>(10,305)</u>	<u>(21,975)</u>
<b>Total comprehensive income/(loss) for the period</b>	<u><b>3,790</b></u>	<u>(33,657)</u>
<b>Total comprehensive income/(loss) for the period attributable to:</b>		
Owners of the Company	<b>3,657</b>	(33,281)
Non-controlling interests	<u>133</u>	<u>(376)</u>
	<u><b>3,790</b></u>	<u>(33,657)</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	As at 30 June 2019 <i>HK\$'000</i> (Unaudited)	As at 31 December 2018 <i>HK\$'000</i> (Audited)
<b>Non-current assets</b>			
Goodwill		–	–
Property, plant and equipment	(9)	165,747	182,158
Right-of-use assets		105,040	–
Prepaid lease payments on land under operating leases		–	98,476
Other non-current asset		17,238	17,307
		<b>288,025</b>	<b>297,941</b>
<b>Current assets</b>			
Prepaid lease payments on land under operating leases		–	3,107
Inventories		150,761	153,530
Trade and other receivables	(10)	476,562	464,479
Prepayments and deposits		144,402	184,155
Tax recoverable		751	753
Cash and cash equivalents		1,711,316	1,666,292
		<b>2,483,792</b>	<b>2,472,316</b>
<b>Current liabilities</b>			
Trade payables	(11)	101,911	78,894
Accruals and other payables		35,811	63,458
Amounts due to directors		2,344	2,580
Lease liabilities		1,151	–
Tax payable		4,185	6,643
		<b>145,402</b>	<b>151,575</b>
<b>Net current assets</b>		<b>2,338,390</b>	<b>2,320,741</b>
<b>Total assets less current liabilities</b>		<b>2,626,415</b>	<b>2,618,682</b>
<b>Non-current liabilities</b>			
Lease liabilities		3,943	–
<b>NET ASSETS</b>		<b>2,622,472</b>	<b>2,618,682</b>
<b>CAPITAL AND RESERVES</b>			
Share capital		234,170	234,170
Reserves		2,382,578	2,378,921
<b>Equity attributable to owners of the Company</b>		<b>2,616,748</b>	<b>2,613,091</b>
<b>Non-controlling interests</b>		<b>5,724</b>	<b>5,591</b>
<b>TOTAL EQUITY</b>		<b>2,622,472</b>	<b>2,618,682</b>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial information has been prepared in accordance with the applicable disclosure requirements set out in Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The condensed consolidated interim financial information does not include all the information and disclosure required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The accounting policies used in the condensed consolidated interim financial information are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2018, except for the adoption of HKFRS 16 “Leases” and other new and revised HKFRSs that are first effective for the current accounting period of the Group.

Save for changes in accounting policies as disclosed in note 2, the application of other new and revised HKFRSs has no material impact on the Group’s financial performance and positions for the current and prior accounting periods. The Group has not early applied any new standards, amendments and interpretations that have been issued but are not yet effective for the six months ended 30 June 2019.

## 2. CHANGES IN ACCOUNTING POLICIES

A number of new and revised HKFRSs became applicable for the current accounting period and the Group had to change its accounting policies and make certain adjustments as a results of adopting HKFRS 16 “Leases”.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of the Group’s reserves as at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17 “Leases”. Since the Group recognised the right-of-use assets at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments, there was no impact to the Group’s reserves as at 1 January 2019.

### **New definition of a lease**

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 “Determining whether an Arrangement contains a Lease” at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

## **Nature of the effect of adoption of HKFRS 16**

The Group has lease contracts for various items of properties. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets and short-term leases. The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

### **Right-of-use assets**

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

### **Lease liabilities**

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or a rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

### **Impacts on transition**

Lease liabilities as at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate as at 1 January 2019.

The right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments recognised in the consolidated statement of financial position immediately before 1 January 2019.

The carrying amount of right-of-use assets as at 1 January 2019 comprised:

	<i>HK\$'000</i>
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	6,025
Reclassified from prepaid lease payments on land under operating leases	101,583
	<u>107,608</u>
<b>By class</b>	
Land use rights	101,583
Leased premises	6,025
	<u>107,608</u>

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	<b>Carrying amounts previously reported at 31 December 2018 <i>HK\$'000</i></b>	<b>Adjustments <i>HK\$'000</i></b>	<b>Carrying amounts under HKFRS 16 at 1 January 2019 <i>HK\$'000</i></b>
<b>Non-current assets</b>			
Prepaid lease payments on land under operating leases	98,476	(98,476)	–
Right-of-use assets	–	107,608	107,608
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Current assets</b>			
Prepaid lease payments on land under operating leases	3,107	(3,107)	–
Prepayments and deposits	184,155	(378)	183,777
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Non-current liabilities</b>			
Lease liabilities	–	4,268	4,268
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Current liabilities</b>			
Lease liabilities	–	1,379	1,379
	<u>          </u>	<u>          </u>	<u>          </u>

### 3. REVENUE AND 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 the 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 presented two reportable segments as follows:

Rare Earth: The manufacture and sale of rare earth products

Refractory: The manufacture and sale of refractory products

#### (a) Segment revenue and results

	Rare Earth		Refractory		Total	
	For the six months ended 30 June					
	2019	2018	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>REVENUE</b>						
Revenue from external customers	<b>284,315</b>	279,501	<b>154,657</b>	155,125	<b>438,972</b>	434,626
Inter-segment revenue	–	88	–	–	–	88
Reportable segment revenue	<b><u>284,315</u></b>	<b><u>279,589</u></b>	<b><u>154,657</u></b>	<b><u>155,125</u></b>	<b><u>438,972</u></b>	<b><u>434,714</u></b>
<b>RESULTS</b>						
Reportable segment profit	<b><u>12,907</u></b>	<b><u>4,140</u></b>	<b><u>25,795</u></b>	<b><u>17,942</u></b>	<b><u>38,702</u></b>	22,082
Other income					<b>2,594</b>	2,411
Depreciation of property, plant and equipment					<b>(16,339)</b>	(25,493)
Depreciation of right-of-use assets					<b>(1,550)</b>	–
Amortisation of prepaid lease payments on land under operating leases					–	(1,995)
Finance costs					<b>(85)</b>	–
Unallocated corporate expenses					<b>(6,624)</b>	(6,217)
Consolidated profit/(loss) before taxation					<b>16,698</b>	(9,212)
Income tax charge					<b>(2,603)</b>	(2,470)
Consolidated profit/(loss) after taxation					<b><u>14,095</u></b>	<b><u>(11,682)</u></b>

(b) Revenue from external customers by major products and geographical markets are as follows:

	Rare Earth		Refractory		Total	
	For the six months ended 30 June					
	2019	2018	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Sales of major products</b>						
Rare earth oxides	284,315	279,501	–	–	284,315	279,501
Refractory materials	–	–	138,147	100,529	138,147	100,529
Magnesium grains	–	–	16,510	54,596	16,510	54,596
Total	<u>284,315</u>	<u>279,501</u>	<u>154,657</u>	<u>155,125</u>	<u>438,972</u>	<u>434,626</u>
<b>Geographical markets</b>						
The People's Republic of China (the "PRC")	273,699	271,709	125,786	125,170	399,485	396,879
Japan	7,474	3,897	19,595	19,059	27,069	22,956
Europe	2,772	2,528	345	422	3,117	2,950
Others	370	1,367	8,931	10,474	9,301	11,841
Total	<u>284,315</u>	<u>279,501</u>	<u>154,657</u>	<u>155,125</u>	<u>438,972</u>	<u>434,626</u>

#### 4. FINANCE COSTS

During the six months ended 30 June 2019, finance costs included interest expenses on bank and other borrowings wholly repayable within five years at approximately HK\$85,000 (2018: Nil) and interest on lease liabilities at approximately HK\$136,000 (2018: Nil).

#### 5. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation has been arrived at after charging/(crediting):

	For the six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	16,391	25,493
Depreciation of right-of-use assets	2,166	–
Amortisation of prepaid lease payments on land under operating leases	–	1,995
Write down of inventories	4,302	10,942
Reversal of write down of inventories	<u>(829)</u>	<u>(3,548)</u>



## 6. INCOME TAX CHARGE

	For the six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Current tax – PRC Enterprise Income Tax		
Provision for the period	<u>2,603</u>	<u>2,470</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 did not have estimated assessable profits arising in Hong Kong during the period.

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 during the period, among which one subsidiary is entitled to a preferential income tax rate of 15%.

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 the previous year was declared and paid during the six months ended 30 June 2019 (2018: Nil).

No interim dividend was declared for the six months ended 30 June 2019 (2018: Nil).

## 8. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the profit attributable to owners of the Company of approximately HK\$13,939,000 (2018: loss of HK\$11,372,000) and the weighted average number of approximately 2,341,700,000 (2018: 2,341,700,000) ordinary shares in issue during the period.

Diluted earnings/(loss) per share for the six months ended 30 June 2019 and 30 June 2018 are the same as the basic earnings/(loss) per share as there is no dilutive potential ordinary share.

## 9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group spent approximately HK\$676,000 (2018: HK\$14,863,000) on additions to property, plant and equipment.

## 10. 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:

	<b>30 June 2019 HK\$'000</b>	31 December 2018 HK\$'000
Trade debtors and bills receivables	434,949	420,482
Other receivables	4,767	3,777
Other tax refundable	36,846	40,220
	<u>476,562</u>	<u>464,479</u>

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

	<b>30 June 2019 HK\$'000</b>	31 December 2018 HK\$'000
Less than 6 months	268,680	300,530
6 months to less than 1 year	158,471	113,719
1 year to less than 2 years	18,368	10,584
Over 2 years	24,239	29,217
	<u>469,758</u>	<u>454,050</u>
Less: Impairment loss on trade debtors and bills receivables	<u>(34,809)</u>	<u>(33,568)</u>
	<u>434,949</u>	<u>420,482</u>

## 11. TRADE PAYABLES

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

	<b>30 June 2019 HK\$'000</b>	31 December 2018 HK\$'000
Less than 6 months	56,898	39,056
6 months to less than 1 year	16,548	14,913
1 year to less than 2 years	8,702	4,227
Over 2 years	19,763	20,698
	<u>101,911</u>	<u>78,894</u>

## 12. PLEDGE OF ASSETS

At 30 June 2019, certain buildings with aggregated carrying amount of approximately HK\$3,001,000 (2018: HK\$3,806,000) and certain leasehold land with carrying amount of approximately HK\$44,539,000 (2018: HK\$45,498,000) were pledged as collateral to a bank for banking facilities.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Results

Looking back at the first half of 2019, the Chinese economy was facing many challenges, with industries such as steel, oil, etc. showing signs of slowing down, which affected the overall performance of the refractory materials industry. As for the rare earth industry, it continued to improve on the back of supportive government policies. The Group was able to, after years of incurring loss, turn around to profit in the first half of 2019.

During the period under review, the Sino-US trade conflicts continued and impacted the global economy. The strategic position of rare earth elements, as a major raw material for new and advanced technological applications today, is even more prominent, especially the medium-to-heavy rare earth elements that are abundant in China and scarce in overseas. The visit to rare earth enterprises by the PRC President Xi Jinping in May 2019 has spoken clearly to the significance of rare earth as the country's strategic resources. Rare earth mining enterprises in the US have pointed out that the monopoly of China in the rare earth industry is unshakable at the moment.

Moreover, in the last two years, Myanmar became China's largest importer of ionic rare earth minerals. In late 2018, there were discussions about restricting import of rare earth minerals from Myanmar to China, and came to the first half of this year, the customs at Tengchong City, Yunnan Province, was officially closed, which banned the imports of rare earth minerals from Myanmar. Since domestic rare earth minerals were basically controlled by a few large state-owned enterprises, meant that the rare earth minerals supply has become tighter after the import have been banned. All taken into account, the prices of domestic rare earth products rose notably during the period under review.

In the first half of the year, the Group made total revenue of approximately HK\$438,972,000, which was similar to approximately HK\$434,626,000 in the same period last year. Revenue from the rare earth segment increased slightly, by approximately 2%, from approximately HK\$279,501,000 for the same period last year to approximately HK\$284,315,000, making up approximately 65% of the Group's total revenue. Revenue of the refractory materials segment was approximately HK\$154,657,000, which was almost the same as the approximately HK\$155,125,000 in the same period last year, accounting for approximately 35% of the Group's total revenue. During the period under review, gross profit margin of the Group was approximately 10%, an improvement against approximately 4% in the same period last year. Net profit for the period was approximately HK\$14,095,000, turning around from a net loss of approximately HK\$11,682,000 incurred in the same period during 2018. Earnings per share were approximately HK cents 0.60 (loss per share was approximately HK cents 0.49 for the 2018 interim period).

## **Business Review**

### *Rare Earth Business*

In the first half of 2019, the Group's revenue derived from the rare earth business segment was approximately HK\$284,315,000, similar to the amount in same period last year. However, in terms of sales volume, about 500 tonnes were sold, about 30% less when compared with the same period last year.

In the first half of the year, the government of Yixing City, Jiangsu Province in China began to implement requirements stated in the "Regulations on the Prevention and Control of Water Pollution in Taihu Lake in Jiangsu Province" (《江蘇省太湖水污染防治條例》). As the Group's rare earth production line is situated on the bank of Taihu Lake, the relevant rules are taken seriously by the management. The Group adjusted its production plan to match the city's sewage discharge pipelines layout. In addition to the tight supply of rare earth minerals during the period under review and the strict implementation of rare earth production directives across the country, the Group continued to reduce production of its own products. Some of the common products ordered by customers were purchased through trading to meet customers' needs, while the Group focused on producing high-end products such as oxides of special molecule size, in an effort to support national policies which aim at developing the rare earth sector towards the higher value-added end.

At present, the Group sells mainly rare earth elements including praseodymium, neodymium, terbium and dysprosium, which are mainly used in magnetic materials. During the period under review, the average selling price of products of terbium oxide and dysprosium oxide, which are medium-to-heavy rare earth elements, climbed by about 15% and 45%, against the same period last year. With active cost control done by the Group, the segment successfully achieved profit turnaround, with gross margin at approximately 5% for the period.

Following 2018, China continued to be the Group's dominant rare earth market during the period, accounting for approximately 96% of the segment's revenue, other markets such as Japan and Europe accounted for the remaining 4%.

### *Refractory Materials Business*

In the first half of 2019, with the application industries sluggish, the overall refractory materials market in the country was weak. In Liaoning Province of China, the authority continued its environmental protection-related rectification efforts, as such most of the sub-standard magnesites mines closed and raw material supply was affected. With the tight supply of raw materials and the weak downstream product markets, the Group reduced production of fused magnesium grains during the period under review. The Group sold about 5,100 tonnes of magnesium grains products during the period, about 60% less when compared with the same period in 2018. Average selling price of the products declined by about 15% compared with the same period last year, and gross profit margin was about 15%.

For refractory materials and high-temperature ceramics products, despite the lacklustre market, the Group continued to capture business with excellent quality products. Determined in delivering best quality products and armed with competitive advantages, plus exercising stringent cost control, not engaging in irrational price competition, the Group won the trust of customers. In the period under review, the Group's brand influence was proven. Some customers placed bigger orders, enabling the Group to contribute more to their businesses. Certain customers, who previously selected the lowest bidders and discounting quality to cut cost, eventually realised the importance of product quality and returned to procuring from the Group. Thus, the Group sold approximately 13,500 tonnes of refractory materials and high-temperature ceramics products during the period under review, representing an increase of approximately 15% against the same period last year. The average selling price of major products such as fused magnesium chrome bricks and alumina-graphite bricks rose by about 10% compared with the same period last year, and that of casting materials grew by about 20%. Gross profit margin remained at approximately 19%.

To sum up, the reduced revenue from magnesium grains products was offset by the increased revenue from refractory materials and high-temperature ceramics products. For the period under review, the Group's refractory material segment recorded total revenue of HK\$154,657,000, which was similar to that for the same period in 2018. Gross profit margin of the segment was approximately 18%.

By market, China remained the key market of the Group's refractory materials products, accounting for approximately 81% of the segmental revenue, whereas the Japan market accounted for about 13%, and other markets including the Middle East and Europe accounted for the remaining at about 6%.

## **Prospects**

Rare earth is the main raw material for high-tech products and is applicable in the agricultural, manufacturing and military industries etc. It is critical for manufacturing products such as fibre optic cable, major medical equipment, satellite and digital technology, hence there is stable demand for rare earth. Looking forward to the second half year, against the backdrop of continuing trade friction between China and the US, China will remain steadfast in pursuing technological innovation and keep pushing to expand domestic market demand. The country expects to be able to increase reserves to help maintain the strategic global position of China's rare earth and create favourable conditions for the rare earth industry to develop in the long run. In addition, the supply of rare earth minerals importing from Myanmar is not going to be restored in the short run. Rare earth enterprises thus have resorted to using stocks to maintain supply, limiting the room for price to come down. Moreover, with government efforts to protect the environment, eliminate illegal rare earth production, and upgrade the industry, the structure of the industry will continue to improve and rare earth prices are expected to rise. The Group has full confidence in the long-term development of the industry.

For the refractory materials segment, the Group will continue to foster long-term cooperation with quality customers and in-depth technical cooperation with Japanese customers to produce refractory materials for the foundry industry. Such rigorous cooperation will guide the domestic industry in manufacturing refractory materials for foundry use in scaling new heights. Hence, the Group believes the business will continue to maintain stable performance in the second half year. Furthermore, the Group has started looking into the acquisition of a magnesite mine in Northeast China. It hopes to implement the relevant project soon, which will enable the Group to develop a vertically integrated industrial chain that results in a great synergy, allowing it to improve the effectiveness of its businesses.

### **Liquidity and Financial Resources**

The Group continues to be prudent in making financial arrangements to ensure it has adequate liquidity for its future acquisition and development. As at 30 June 2019, the Group had cash and bank deposits of approximately HK\$1,711,316,000, representing a slight increase compared with that at the end of the preceding year, similar to the reduction in prepayments and deposits. Net current assets of the Group amounted to approximately HK\$2,338,390,000, up by approximately HK\$17,649,000 from that at the end of 2018. Total liabilities to total assets ratio remained at about 5%.

Following 2018, the Group had pledged certain land and buildings with carrying amount at approximately HK\$47,540,000 as at 30 June 2019 with a domestic bank, obtaining a financing facility at RMB150,000,000 (equivalent to approximately HK\$170,513,000) which has not been utilised yet. Apart from that, at the end of the period, the Group had no charge on other assets nor holding of any financial derivative products. The Group was not exposed to any material interest rate risk. As for foreign exchange exposure, 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 period under review, Renminbi depreciated slightly, which did not cause significant fluctuation of or impact on the Group's results.

### **Staff and Remuneration**

The Group continued to streamline its manpower structure heeding business needs. As at 30 June 2019, the Group had approximately 420 employees of different levels. As a result of fewer employees, the Group's staff costs, including directors' emoluments amounted to approximately HK\$16,684,000, representing a decrease compared with the same period last year. The Group continued to provide regular on-the-job training and study opportunities to employees to assist them in maintaining professional competence.

### **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (2018: Nil).

## **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 six months ended 30 June 2019.

## **AUDIT COMMITTEE**

The Audit Committee has reviewed, with the assistance of the Company's auditor, the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including the review of the interim financial statements for the six months ended 30 June 2019 which have not been audited.

## **CORPORATE GOVERNANCE**

The Company is committed to attaining good corporate governance practices and procedures. The Company has adopted its own code of corporate governance based on the principles and code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules. In the opinion of the Board, the Company has complied with the CG Code throughout the six months ended 30 June 2019.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted its own Securities Dealing Code (the "Company's Code") regarding securities transactions by directors on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Having made specific enquiry, the Company confirms that all directors have complied with the required standards as stated in the Model Code and the Company's Code throughout the six months ended 30 June 2019.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

This announcement is published on the websites of the Company ([www.creh.com.hk](http://www.creh.com.hk)) and The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)). The 2019 interim report of the Company will be dispatched to the shareholders and published on the aforesaid websites in accordance with the requirements of Listing Rules.

## **MEMBERS OF THE BOARD**

As at the date of this announcement, the Board consists of Ms. Qian Yuanying, Mr. Jiang Quanlong, Mr. Jiang Dawei 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**  
**Qian Yuanying**  
*Chairman*

Hong Kong, 28 August 2019