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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 2022

The Board of Directors (the “Board”) of China Rare Earth Holdings Limited (the “Company”) is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2022 together with the comparative figures for the corresponding year in 2021 as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

|  |             | <b>For the year ended<br/>31 December</b> |                        |
|--|-------------|---|------------------------|
|  |             | <b>2022</b>                               | <b>2021</b>            |
|  | <i>Note</i> | <i>HK\$'000</i>                           | <i>HK\$'000</i>        |
| <b>Revenue</b>                                     | (2)         | <b>810,413</b>                            | 1,212,471              |
| Cost of sales                                      |             | <b>(809,297)</b>                          | (1,126,488)            |
| <b>Gross profit</b>                                |             | <b>1,116</b>                              | 85,983                 |
| Other income                                       |             | <b>4,920</b>                              | 5,856                  |
| Selling and distribution expenses                  |             | <b>(11,815)</b>                           | (13,230)               |
| Administrative expenses                            |             | <b>(36,794)</b>                           | (44,471)               |
| Other operating expenses                           |             | <b>(326,412)</b>                          | –                      |
| Other net loss                                     |             | <b>(22,664)</b>                           | (5,600)                |
| <b>(Loss)/profit from operations</b>               |             | <b>(391,649)</b>                          | 28,538                 |
| Finance costs                                      | (3)         | <b>(297)</b>                              | (455)                  |
| <b>(Loss)/profit before taxation</b>               | (4)         | <b>(391,946)</b>                          | 28,083                 |
| Income tax charge                                  | (5)         | <b>(1,731)</b>                            | (2,647)                |
| <b>(Loss)/profit for the year</b>                  |             | <b>(393,677)</b>                          | 25,436                 |
| <b>(Loss)/profit for the year attributable to:</b> |             |   |                        |
| Owners of the Company                              |             | <b>(373,296)</b>                          | 24,274                 |
| Non-controlling interests                          |             | <b>(20,381)</b>                           | 1,162                  |
|  |             | <b>(393,677)</b>                          | 25,436                 |
|  |             | <b><i>HK cents</i></b>                    | <b><i>HK cents</i></b> |
| (Loss)/earnings per share                          |             |   |                        |
| Basic and diluted                                  | (7)         | <b>(15.94)</b>                            | 1.04                   |

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

|  | <b>For the year ended</b>      |                       |
|--|--------------------------------|-----------------------|
|  | <b>31 December</b>             |                       |
|  | <b>2022</b>                    | <b>2021</b>           |
|  | <i>HK\$'000</i>                | <i>HK\$'000</i>       |
| <b>(Loss)/profit for the year</b>  | <u><b>(393,677)</b></u>        | <u>25,436</u>         |
| <b>Other comprehensive (loss)/income for the year</b>                                |                                |                       |
| <i>Items that may be reclassified subsequently to<br/>profit or loss:</i>            |                                |                       |
| Exchange differences on translation of<br>financial statements of foreign operations | <u><b>(221,094)</b></u>        | <u>80,243</u>         |
| <b>Total comprehensive (loss)/income for the year</b>                                | <u><u><b>(614,771)</b></u></u> | <u><u>105,679</u></u> |
| <b>Total comprehensive (loss)/income for the year<br/>attributable to:</b>           |                                |                       |
| Owners of the Company  | <u><b>(594,499)</b></u>        | <u>104,280</u>        |
| Non-controlling interests  | <u><b>(20,272)</b></u>         | <u>1,399</u>          |
|  | <u><u><b>(614,771)</b></u></u> | <u><u>105,679</u></u> |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

|   | <b>As at 31 December</b> |                 |
|---|--------------------------|-----------------|
| <i>Note</i>   | <b>2022</b>              | <b>2021</b>     |
|   | <b>HK\$'000</b>          | <b>HK\$'000</b> |
| <b>Non-current assets</b>                           |                          |                 |
| Goodwill  | –                        | –               |
| Property, plant and equipment                       | <b>164,273</b>           | 209,203         |
| Right-of-use assets                                 | <b>88,741</b>            | 100,536         |
| Deferred tax assets                                 | <b>6,813</b>             | 6,685           |
|   | <b>259,827</b>           | 316,424         |
| <b>Current assets</b>                               |                          |                 |
| Inventories   | <b>191,410</b>           | 341,144         |
| Trade and other receivables                         | <b>492,031</b>           | 562,444         |
| Prepayments and deposits                            | <b>13,065</b>            | 6,352           |
| Tax recoverable                                     | <b>911</b>               | 808             |
| Cash and cash equivalents                           | <b>1,452,386</b>         | 1,819,833       |
|   | <b>2,149,803</b>         | 2,730,581       |
| <b>Current liabilities</b>                          |                          |                 |
| Trade payables                                      | <b>84,631</b>            | 106,661         |
| Accruals and other payables                         | <b>37,123</b>            | 35,551          |
| Amounts due to directors                            | <b>7,505</b>             | 7,885           |
| Lease liabilities                                   | <b>371</b>               | 353             |
| Tax payable   | <b>2,544</b>             | 4,916           |
|   | <b>132,174</b>           | 155,366         |
| <b>Net current assets</b>                           | <b>2,017,629</b>         | 2,575,215       |
| <b>Total assets less current liabilities</b>        | <b>2,277,456</b>         | 2,891,639       |
| <b>Non-current liabilities</b>                      |                          |                 |
| Lease liabilities                                   | <b>1,020</b>             | 1,391           |
| <b>NET ASSETS</b>                                   | <b>2,276,436</b>         | 2,890,248       |
| <b>CAPITAL AND RESERVES</b>                         |                          |                 |
| Share capital                                       | <b>234,170</b>           | 234,170         |
| Reserves  | <b>2,053,651</b>         | 2,647,191       |
| <b>Equity attributable to owners of the Company</b> | <b>2,287,821</b>         | 2,881,361       |
| <b>Non-controlling interests</b>                    | <b>(11,385)</b>          | 8,887           |
| <b>TOTAL EQUITY</b>                                 | <b>2,276,436</b>         | 2,890,248       |

## 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 2021, 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 2022. 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. 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 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  
Refractory:           Manufacture and sales of refractory products

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

#### (a) Segment revenue and results

|                                  | Rare Earth              |                       | Refractory            |                       | Total                   |                         |
|----------------------------------|-------------------------|-----------------------|-----------------------|-----------------------|-------------------------|-------------------------|
|                                  | 2022                    | 2021                  | 2022                  | 2021                  | 2022                    | 2021                    |
|                                  | HK\$'000                | HK\$'000              | HK\$'000              | HK\$'000              | HK\$'000                | HK\$'000                |
| <b>Revenue</b>                   |                         |                       |                       |                       |                         |                         |
| Revenue from external customers  | <b>546,615</b>          | 858,249               | <b>263,798</b>        | 354,222               | <b>810,413</b>          | 1,212,471               |
| Inter-segment revenue            | —                       | —                     | —                     | —                     | —                       | —                       |
| Reportable segment revenue       | <b><u>546,615</u></b>   | <b><u>858,249</u></b> | <b><u>263,798</u></b> | <b><u>354,222</u></b> | <b><u>810,413</u></b>   | <b><u>1,212,471</u></b> |
| <b>Results</b>                   |                         |                       |                       |                       |                         |                         |
| Reportable segment (loss)/profit | <b><u>(370,062)</u></b> | <b><u>34,129</u></b>  | <b><u>22,810</u></b>  | <b><u>35,637</u></b>  | <b><u>(347,252)</u></b> | <b><u>69,766</u></b>    |

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

|  | Rare Earth     |                | Refractory     |                | Total          |                  |
|--|----------------|----------------|----------------|----------------|----------------|------------------|
|  | 2022           | 2021           | 2022           | 2021           | 2022           | 2021             |
|  | HK\$'000       | HK\$'000       | HK\$'000       | HK\$'000       | HK\$'000       | HK\$'000         |
| <b>Sales of major products</b>             |                |                |                |                |                |                  |
| Rare earth oxides                          | 546,615        | 858,249        | –              | –              | 546,615        | 858,249          |
| Refractory materials                       | –              | –              | 205,999        | 293,092        | 205,999        | 293,092          |
| Magnesium grains                           | –              | –              | 57,799         | 61,130         | 57,799         | 61,130           |
| Total                                      | <u>546,615</u> | <u>858,249</u> | <u>263,798</u> | <u>354,222</u> | <u>810,413</u> | <u>1,212,471</u> |
| <b>Geographical markets</b>                |                |                |                |                |                |                  |
| The People's Republic of China (the "PRC") | 531,872        | 846,306        | 179,457        | 291,947        | 711,329        | 1,138,253        |
| Japan                                      | 14,351         | 11,936         | 48,239         | 41,839         | 62,590         | 53,775           |
| Europe                                     | –              | 7              | 786            | 2,912          | 786            | 2,919            |
| Others                                     | 392            | –              | 35,316         | 17,524         | 35,708         | 17,524           |
| Total                                      | <u>546,615</u> | <u>858,249</u> | <u>263,798</u> | <u>354,222</u> | <u>810,413</u> | <u>1,212,471</u> |

### 3. FINANCE COSTS

Finance costs included interest on discounted bills at approximately HK\$218,000 (2021: HK\$321,000) and interest on lease liabilities at approximately HK\$79,000 (2021: HK\$134,000).

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

(Loss)/profit before taxation has been arrived at after charging/(crediting):

|   | 2022              | 2021              |
|---|-------------------|-------------------|
|   | HK\$'000          | HK\$'000          |
| Cost of remedial works to the soil pollution          | 326,412           | –                 |
| Depreciation of property, plant and equipment         | 34,744            | 31,457            |
| Depreciation of right-of-use assets                   | 3,551             | 4,181             |
| Net gain on disposal of property, plant and equipment | (398)             | (327)             |
| Gain on termination of a lease                        | –                 | (164)             |
|   | <u>          </u> | <u>          </u> |

## 5. INCOME TAX CHARGE

Income tax charge for the year comprised:

|   | 2022<br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Current tax – PRC Enterprise Income Tax             |                         |                         |
| – Provision for the year                            | (2,456)                 | (4,497)                 |
| Deferred taxation                                   |                         |                         |
| – Origination and reversal of temporary differences | <u>725</u>              | <u>1,850</u>            |
|   | <u>(1,731)</u>          | <u>(2,647)</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 was made for the years ended 31 December 2022 and 2021 as the estimated assessable profits arising in Hong Kong for the years were offset with the accumulated tax losses brought forward.

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 years ended 31 December 2022 and 2021, among which one subsidiary is entitled to a preferential income tax rate of 15% during the year ended 31 December 2021.

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.

## 6. DIVIDENDS

No final dividend for previous year was declared and paid during the year ended 31 December 2022 (2021: Nil).

No final dividend was proposed for the year ended 31 December 2022 (2021: Nil).

## 7. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the loss attributable to owners of the Company of approximately HK\$373,296,000 (2021: profit of HK\$24,274,000) and the weighted average number of approximately 2,341,700,000 (2021: 2,341,700,000) ordinary shares in issue during the year ended 31 December 2022.

Diluted loss per share equals to the basic loss per share as the exercise of the Company's outstanding share options would have anti-dilutive effect during the year ended 31 December 2022.

Diluted earnings per share equals to the basic earnings per share as the Company has no potential dilutive ordinary shares outstanding during the year ended 31 December 2021.

## 8. TRADE AND OTHER RECEIVABLES

The Group generally allows a credit period ranging from 0 to 180 days to its customers and allows up to 365 days to reputable customers.

Trade and other receivables of the Group comprised:

|                      | 2022<br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|----------------------|-------------------------|-------------------------|
| Trade receivables    | 476,680                 | 539,962                 |
| Other receivables    | 985                     | 958                     |
| Other tax refundable | 14,366                  | 21,524                  |
|                      | <u>492,031</u>          | <u>562,444</u>          |

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

|  | 2022<br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Less than 6 months                         | 249,877                 | 493,762                 |
| 6 months to less than 1 year               | 147,634                 | 61,443                  |
| 1 year to less than 2 years                | 119,253                 | 12,745                  |
| Over 2 years                               | 14,049                  | 15,207                  |
|  | <u>530,813</u>          | <u>583,157</u>          |
| Less: Impairment loss on trade receivables | (54,133)                | (43,195)                |
|  | <u>476,680</u>          | <u>539,962</u>          |

## 9. TRADE PAYABLES

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

|                              | 2022<br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|------------------------------|-------------------------|-------------------------|
| Less than 6 months           | 54,672                  | 62,066                  |
| 6 months to less than 1 year | 11,016                  | 10,031                  |
| 1 year to less than 2 years  | 8,756                   | 9,196                   |
| Over 2 years                 | 10,187                  | 25,368                  |
|                              | <u>84,631</u>           | <u>106,661</u>          |

**10. PLEDGE OF ASSETS**

As at 31 December 2022, certain leasehold lands with carrying amount of approximately HK\$38,502,000 (2021: HK\$43,739,000) and certain buildings with aggregate carrying amount of approximately zero (2021: HK\$1,000) were pledged as collateral for banking facilities.

**11. COMMITMENTS**

As at 31 December 2022, the Group had no capital commitments in respect of the acquisition and construction of property, plant and equipment contracted but not provided for (2021: HK\$4,840,000).



## **FINANCIAL RESULTS**

For the year ended 31 December 2022, the Group recorded revenue of approximately HK\$810,413,000, a 33% decrease from HK\$1,212,471,000 in 2021. Revenue from the Group's rare earth products recorded revenue of approximately HK\$546,615,000, a 36% decrease from HK\$858,249,000 in 2021, and accounted for about 67% of the Group's total revenue. As for refractory products, revenue was around HK\$263,798,000, a 26% decrease from HK\$354,222,000 in 2021, while accounting for about 33% of total revenue of the Group.

During the year, the Group recorded only a thin gross profit. There were uncertainties brought about by the pandemic and the Group's maintenance of the area of factory in response to the Yixing Government's investigation of soil pollution prevention and control, in order to fulfill its corporate social responsibilities, as well as to protect the ecological environment of the area. Given the large amount involved, the Group's 2022 annual results was affected. The Group recorded a net loss of about HK\$393,677,000, compared to a net profit of about HK\$25,436,000 in 2021. Loss per share recorded about HK 15.94 cents (earnings per share was approximately HK 1.04 cents for 2021).

## **FINAL DIVIDEND**

The Board did not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: Nil).

## **ANNUAL GENERAL MEETING**

The 2023 Annual General Meeting (the "AGM") will be held on 2 June 2023 (Friday). A notice convening the AGM and all other relevant documents will be published and dispatched to the 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 30 May 2023 (Tuesday) to 2 June 2023 (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 29 May 2023 (Monday) for registration of the relevant transfer.

## **BUSINESS REVIEW**

### **Rare Earth Business**

In 2022, the world has rapidly returned to normal as the global pandemic subsided. However, the global economy faced multiple challenges due to continued geopolitical tensions. Manufacturing processes around the world – including upstream raw material procurement, manufacturing, and even logistics and transportation – have been impacted to varying degrees. Despite this, the demand for rare earth permanent magnetic materials used in new energy vehicles and wind power motors continues to rise as the new energy industry continues to develop. Meanwhile, China continues to promote carbon peaking and carbon neutrality at a national policy level has resulted in a stronger demand for rare earth magnetic materials. This is expected to accelerate the adoption of efficient and energy-saving permanent magnet motors, and boost market penetration.

During the year, the average selling price of rare earth products sold by the Group showed more volatility than the year before. Statistics reveal that the average price of core products such as neodymium praseodymium oxide rose by about 30% year-on-year, the price of terbium oxide rose by about 70% year-on-year, and the price of dysprosium oxide remained stable. Although the average selling price increased, the sales volume decreased compared to last year. During the year, the Group sold about 670 tonnes of rare earth products, a year-on-year decrease of about 25%. Sales revenue from the rare earth segment amounted to approximately HK\$546,615,000, with a year-on-year decrease of about 36%.

Domestic rare earth resources are controlled by large state-owned enterprises, while imports were limited due to the pandemic and customs clearance issues. The operating model of the Group's rare earth business has gradually shifted to focus on trading and further processing. During the year, the Group's rare earth product processing business faced challenges due to significant repair and maintenance works following factory inspections and evaluations. Additional challenges were posed by fluctuations in rare earth product prices that increased operational costs. As a result, the Group's rare earth segment recorded a gross loss ratio of about 6%.

The productivity and economic activities of China's important manufacturing and trading areas were affected by the "lockdown" measures and power cuts. However, the geographical market distribution of the Group's rare earth products remains concentrated in China's domestic market, accounting for about 97% of the total revenue of rare earth products. Japan and other overseas markets accounted for about 3%.

## **Refractory Materials Business**

China's pandemic prevention and control measures were tightened again in 2022, especially in the latter half of the year. Many key economic cities implemented lockdowns and restricted the use of industrial power. The supply chain has been strained, with some factories halted production. This has hindered a full economic recovery. The pressure faced by industries such as steel and glass also extended to the refractory industry. The decline in domestic sales in China directly dragged down the performance of the Group's refractory materials business during the year. In 2022, the Group sold approximately 24,600 tonnes of refractory materials products, which amounts to an approximate 30% year-on-year decrease. The average selling price of major products increased: the price of fused magnesia-chrome bricks and casting materials increased by less than 10%; the price of aluminum carbon bricks increased by about 25%; and the price of high temperature ceramic products increased by over 50% year-on-year. During the year, the revenue brought by refractory materials amounted to approximately HK\$205,999,000, with a year-on-year decrease of approximately 30%. Through effective cost control, the gross profit margin of the division increased to approximately 18%.

On the other hands, in recent years, Liaoning Province has increasingly tightened control over the integration and exploitation policies of magnesite mines. In early 2022, local enterprises were affected by certain production suspensions due to the hosting of the Winter Olympic Games in China and the need for pandemic prevention amid its resurgence. As a result, many magnesite mines could only operate intermittently, and the magnesium grains business was unavoidably affected. During the year, the Group sold about 18,900 tonnes of magnesium grains products, a decrease of about 15% from last year. The average selling price of the product remained similar to last year, with a year-on-year increase of about 5% only. The sales value fell by about 5% year-on-year to approximately HK\$57,799,000. In terms of costs, material usage in the production process increased significantly due to affected quality of magnesite raw materials as a result of the unstable supply. In addition, the unit cost of the electrodes used in the production of electric fused magnesia increased by more than 60% compared to last year, resulting in a surge in average production costs. The Group's magnesium grants division ceased to be profitable, resulting in a gross loss ratio of roughly 7%.

Overall, the Group's refractory materials business saw a total revenue in 2022 of approximately HK\$263,798,000, which represents a year-on-year decrease of around 26%. Segmental gross profit margin was approximately 12%.

In terms of geographical market distribution, the market in mainland China declined due to the impact of the pandemic. Fortunately, the economy in overseas regions such as Japan and Korea has rebounded due to the easing of pandemic prevention measures, leading to an increase in exports of refractory materials products. During the year, the ratio of the Group's refractory products in the domestic market in China to total revenue in refractory product fell to approximately 68%. The Japanese market accounted for approximately 18% while other overseas markets, including Korea, accounted for the remaining about 14%.

## **Environmental Maintenance**

In 2021, the Wuxi Government updated the list of key soil pollution supervision units within the region. In the same year, the Yixing Government also requested that related enterprises conduct soil pollution prevention and control investigations. In the first half of 2022, the Group engaged an independent professional organisation to conduct soil and groundwater environmental investigations at the area of its rare earth production plant. After testing and analysis, it was found that there were hidden risks of excessive pollutants at the area of factory and certain maintenance works was necessary to prevent the risk from spreading and affecting the surrounding ecological environment. In order to fulfil its social responsibility, the Group's management and experts discussed and implemented a comprehensive maintenance project for the affected area in the second half of 2022. The total amount to carry out the maintenance works (excluded tax) was approximately HK\$326,412,000 and it was recognised as other operating expenses in the statement of profit or loss. The project was completed before the end of the year. Although the amount involved in this repair was relatively large and directly affected the Group's 2022 financial performance, what is more important is to protect the environment in the long-run and provide employees with a safety working environment.

## **PROSPECTS**

The continuous development of new energy alongside the implementation of environmental protection policies around the globe. New energy vehicles, rare earth permanent magnetic motors, wind power generation, and other industries are experiencing rapid growth. The application of high-performance magnetic materials is trending away from traditional consumer electronics towards these emerging fields. With the advancement of research and development technology and the promotion of the “carbon peak and carbon neutrality” policy in China, the demand for high-end rare earth permanent magnetic materials is set to surge in the future, and the importance of the rare earth magnetic materials industry will become increasingly prominent. The Group will seize opportunities presented by these favourable market conditions, adhere to a business strategy of steady progression, make decisions that prioritise high-quality development, and fully showcase the valuable strategic role of rare earth application functions.

Several domestic rare earth state-owned enterprises in China formed China Rare Earth Group Co., Ltd. in end-2021, which is directly supervised by the State-owned Assets Supervision and Administration Commission of the State Council. This demonstrates the recent restructuring of China's rare earth industry, where companies are taking steps to ensure more efficient progress in promoting the development of high-tech industries. In response to changes in the industry, the Group is also actively seeking cooperation partners. We have already signed a strategic cooperation framework agreement with China Northern Rare Earth (Group) High-Tech Co., Ltd. at the end of 2021. However, due to the pandemic's impact, visits and inspections were suspended, which has delayed further discussion. Now that the pandemic is gradually subsiding, both parties will resume close communication and work hard to implement specific cooperation plans. In addition, in June 2022, the Group signed an investment memorandum of understanding with Longchuan Zhongxin Xisheng Import and Export Co., Ltd., with the hope of extending its investment to the upstream of rare earth, paving the way for future development, and enhancing its competitive edge. The Group is actively conducting due diligence for the investment.

In recent years, Yixing city, located on the banks of Taihu Lake, has been actively pursuing its goal of becoming a green city through urban planning and development. Factories with potential environmental pollution risks will be gradually phased out. The Group is considering a long-term plan to relocate its rare earth separating production line from Yixing to other areas closer to the rare earth mines, with aims to improve production technology for increased efficiency. We appreciate the support and cooperation of the Yixing Government over the years, which has enabled us to grow and develop in a favourable environment.

As we enter 2023, the Chinese domestic real estate sector is also showing signs of a turnaround. Coupled with the mainland's relaxation of pandemic prevention policies, this is expected to have a positive impact on the cement, steel, and glass industries, creating a surge in demand for refractory materials. As such, we expect the Group's refractory materials segment to experience growth. The Group will continue to maintain its advantage in product quality, while providing strong support to its customers in seizing opportunities for recovery and ensuring steady business development.

Over the long run, the Group will continue to pay attention to opportunities for upstream development, seize opportunities to swiftly rebound amid a post-pandemic market environment, and remain prepared for vertical integration development of the industry.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group continues to adopt prudent financial measures and retains sufficient liquidity for future investments and business development. As at 31 December 2022, the Group held cash and bank deposits totalling approximately HK\$1,452,386,000. Among of which there was approximately HK\$1,451,402,000 denominated in Renminbi and placed in the PRC. Cash and bank deposits in total decreased by approximately HK\$367,447,000 from approximately HK\$1,819,833,000 at the end of 2021, but there are still sufficient funds to meet future development needs. Due to the severe impact of the pandemic on the economy, customers payment processes have slowed down significantly, which has affected the delay in the Group's aged trade receivables. As such, the Group increased the provision of impairment loss on trade and other receivables by about HK\$15,288,000 at the end of the year. Although the Group believes that the risk of bad debts is limited, it will still pay close attention to the development of the situation and collect debts in a timely manner. As at 31 December 2022, the Group's net current assets amounted to approximately HK\$2,017,629,000, a decrease of approximately HK\$557,586,000 from the end of 2021. Total liabilities to total assets ratio remained at approximately 6%.

During the year, the Group did not borrow from banks or financial institutions. As at 31 December 2022, the Group has maintained a financing facility of RMB150,000,000 (equivalent to approximately HK\$167,917,000) with a domestic bank by pledging certain leasehold lands and buildings with a total carrying value of approximately HK\$38,502,000. The facility has not been utilised yet. In addition, at the end of the year, the Group had no charge on other assets nor holding any financial derivative products. The Group has no significant exposure to interest rate risk. For foreign exchange risk, most of the Group's assets, liabilities and transactions are denominated in Renminbi with the rest in US dollars and Hong Kong dollars. During the year, the Renminbi depreciated slightly which did not cause material fluctuation or impact on the Group's financial results. The Group will continue to monitor changes in exchange rates and strive to minimise financial risks.

## **STAFF AND REMUNERATION**

The Group continued to adjust its manpower structure in line with business development needs. As at 31 December 2022, the Group employed a total of approximately 360 staff members, which is similar to the number at the end of 2021. The Group's staff costs for the year, including directors' emoluments, totalled approximately HK\$36,380,000, which is slightly lower than that of 2021. The Group continues to provide on-the-job training and further education opportunities for its staff in order to maintain professional competence. At the same time, the Group is actively attracting talent to enhance its competitiveness.



## **Grant of Share Options**

To attract talent and enhance competitiveness, the Board of Directors of the Company granted share options to several eligible participants on 30 November 2022, in accordance with the share option scheme adopted on 6 June 2014. The grantees include five existing members of staff and five proposed members of staff within the Group, who are entitled to subscribe for a total of 100,000,000 shares of the Company with a par value of HK\$0.1 per share. The grantees may exercise the share options to subscribe for the Company's shares from 30 November 2023 to 5 June 2024 (both days inclusive), at a price of HK\$0.51 per share. However, certain conditions must be met before the grantees can exercise the share options, including one existing staff member achieving certain performance targets evaluated by the Company's Remuneration Committee, and the five proposed staff members being accepted as staff of the Group. Otherwise, the share options will lapse.

## **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 2022.

## **AUDIT COMMITTEE**

The Audit Committee of the Company 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 2022.

## **SCOPE OF WORK OF THE AUDITOR**

The figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2022 as set out in this announcement have been agreed by the Company's auditor, Ascenda Cachet CPA Limited (the "Auditor"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by the Auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Auditor on this announcement.

## **CORPORATE GOVERNANCE PRACTICES**

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 year ended 31 December 2022.

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

The Company has adopted its own code of conduct regarding directors' dealing in the Company's securities (the "Company's 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's Code and the Model Code throughout the year ended 31 December 2022.

## **PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This annual results announcement is published on the websites of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.creh.com.hk](http://www.creh.com.hk)). The annual report of the Company for the year ended 31 December 2022 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and made available on the above websites in due course.

## **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. Dou Xuehong as independent non-executive directors.

By order of the Board  
**China Rare Earth Holdings Limited**  
**Qian Yuanying**  
*Chairman*

Hong Kong, 31 March 2023