



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 : 00769



Interim  
**Report**  
2022



CRE



## **CORPORATE INFORMATION**

### **DIRECTORS**

#### *Executive Directors*

Ms. Qian Yuanying (*Chairman*)  
Mr. Jiang Quanlong  
Mr. Jiang Dawei  
Mr. Jiang Cainan

#### *Independent Non-executive Directors*

Mr. Huang Chunhua  
Mr. Jin Zhong  
Mr. Dou Xuehong

### **AUDIT COMMITTEE**

Mr. Huang Chunhua (*Chairman*)  
Mr. Jin Zhong  
Mr. Dou Xuehong

### **REMUNERATION COMMITTEE**

Mr. Dou Xuehong (*Chairman*)  
Mr. Huang Chunhua  
Mr. Jin Zhong

### **NOMINATION COMMITTEE**

Mr. Jin Zhong (*Chairman*)  
Mr. Huang Chunhua  
Mr. Dou Xuehong

### **COMPANY SECRETARY**

Mr. Law Lap Tak

### **REGISTERED OFFICE**

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

### **HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS**

Dingshu Town, Yixing City  
Jiangsu Province, the PRC

### **PLACE OF BUSINESS IN HONG KONG**

Unit 1011, 10/F, Harbour Crystal Centre  
100 Granville Road, Tsim Sha Tsui  
Kowloon, Hong Kong

### **HONG KONG LEGAL ADVISERS**

Chiu & Partners

### **AUDITOR**

Ascenda Cachet CPA Limited

### **PRINCIPAL BANKERS**

#### *PRC*

China Construction Bank Corporation  
China Merchants Bank Company Limited  
China Bank of Communications Company Limited  
Agricultural Bank of China Limited  
Bank of China Limited

#### *Hong Kong*

China CITIC Bank International Limited  
BNP Paribas  
Bank of China (Hong Kong) Limited  
Nanyang Commercial Bank, Limited

### **PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE**

Suntera (Cayman) Limited  
Suite 3204, Unit 2A  
Block 3, Building D  
P.O. Box 1586  
Gardenia Court, Camana Bay  
Grand Cayman KY1-1110  
Cayman Islands

### **HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

Computershare Hong Kong Investor  
Services Limited  
17th Floor, Hopewell Centre  
183 Queen's Road East  
Hong Kong

### **INTERNET WEBSITE**

[www.creh.com.hk](http://www.creh.com.hk)

### **STOCK CODE ON THE STOCK EXCHANGE OF HONG KONG LIMITED**

769



## 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 2022 together with the comparative figures for the corresponding period in 2021 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		<b>For the six months ended 30 June</b>	
	<i>Note</i>	<b>2022 HK\$'000 (Unaudited)</b>	2021 HK\$'000 (Unaudited)
<b>Revenue</b>	(2)	<b>400,403</b>	539,065
Cost of sales		<b>(355,874)</b>	(489,487)
<b>Gross profit</b>		<b>44,529</b>	49,578
Other income		<b>2,753</b>	2,928
Selling and distribution expenses		<b>(5,408)</b>	(5,733)
Administrative expenses		<b>(18,298)</b>	(30,807)
Other net (loss)/gain		<b>(10,515)</b>	1,319
<b>Profit from operations</b>		<b>13,061</b>	17,285
Finance costs	(3)	<b>(105)</b>	(320)
<b>Profit before taxation</b>	(4)	<b>12,956</b>	16,965
Income tax charge	(5)	<b>(1,857)</b>	(1,796)
<b>Profit for the period</b>		<b>11,099</b>	15,169
<b>Profit for the period attributable to:</b>			
Owners of the Company		<b>11,396</b>	14,469
Non-controlling interests		<b>(297)</b>	700
		<b>11,099</b>	15,169
<b>Earnings per share</b>			
Basic and diluted	(7)	<b>HK0.49 cents</b>	HK0.62 cents



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

	For the six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
<b>Profit for the period</b>	<b>11,099</b>	15,169
<b>Other comprehensive (loss)/income for the period</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of foreign operations	<b>(122,809)</b>	31,082
<b>Total comprehensive (loss)/income for the period</b>	<b>(111,710)</b>	46,251
<b>Total comprehensive (loss)/income for the period attributable to:</b>		
Owners of the Company	<b>(111,028)</b>	45,461
Non-controlling interests	<b>(682)</b>	790
	<b>(111,710)</b>	46,251



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	<b>As at 30 June 2022 HK\$'000 (Unaudited)</b>	As at 31 December 2021 HK\$'000 (Audited)
<b>Non-current assets</b>			
Goodwill		–	–
Property, plant and equipment	(8)	<b>187,445</b>	209,203
Right-of-use assets		<b>94,413</b>	100,536
Deferred tax assets		<b>6,931</b>	6,685
		<b>288,789</b>	316,424
<b>Current assets</b>			
Inventories		<b>343,317</b>	341,144
Trade and other receivables	(9)	<b>514,746</b>	562,444
Prepayments and deposits		<b>180,616</b>	6,352
Tax recoverable		<b>772</b>	808
Cash and cash equivalents		<b>1,599,210</b>	1,819,833
		<b>2,638,661</b>	2,730,581
<b>Current liabilities</b>			
Trade payables	(10)	<b>106,939</b>	106,661
Accruals and other payables		<b>31,902</b>	35,551
Amounts due to directors		<b>5,895</b>	7,885
Lease liabilities		<b>362</b>	353
Tax payable		<b>2,606</b>	4,916
		<b>147,704</b>	155,366



	<b>As at 30 June 2022 HK\$'000 (Unaudited)</b>	As at 31 December 2021 HK\$'000 (Audited)
<b>Net current assets</b>	<b>2,490,957</b>	2,575,215
<b>Total assets less current liabilities</b>	<b>2,779,746</b>	2,891,639
<b>Non-current liabilities</b>		
Lease liabilities	<b>1,208</b>	1,391
<b>NET ASSETS</b>	<b>2,778,538</b>	2,890,248
<b>CAPITAL AND RESERVES</b>		
Share capital	<b>234,170</b>	234,170
Reserves	<b>2,536,163</b>	2,647,191
<b>Equity attributable to owners of the Company</b>	<b>2,770,333</b>	2,881,361
<b>Non-controlling interests</b>	<b>8,205</b>	8,887
<b>TOTAL EQUITY</b>	<b>2,778,538</b>	2,890,248



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to owners of the Company						Non-controlling interests	Total	
	Share capital	Share premium	Capital reserve	Statutory reserves	Translation reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2021	234,170	2,093,306	22,348	249,078	398,681	(220,502)	2,777,081	7,488	2,784,569
Profit for the period	-	-	-	-	-	14,469	14,469	700	15,169
<b>Other comprehensive income</b>									
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	30,992	-	30,992	90	31,082
<b>Total comprehensive income for the period</b>	-	-	-	-	30,992	14,469	45,461	790	46,251
At 30 June 2021	234,170	2,093,306	22,348	249,078	429,673	(206,033)	2,822,542	8,278	2,830,820
At 1 January 2022	<b>234,170</b>	<b>2,093,306</b>	<b>22,348</b>	<b>232,253</b>	<b>478,687</b>	<b>(179,403)</b>	<b>2,881,361</b>	<b>8,887</b>	<b>2,890,248</b>
Profit for the period	-	-	-	-	-	11,396	11,396	(297)	11,099
<b>Other comprehensive loss</b>									
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	(122,424)	-	(122,424)	(385)	(122,809)
<b>Total comprehensive loss for the period</b>	-	-	-	-	(122,424)	11,396	(111,028)	(682)	(111,710)
At 30 June 2022	<b>234,170</b>	<b>2,093,306</b>	<b>22,348</b>	<b>232,253</b>	<b>356,263</b>	<b>(168,007)</b>	<b>2,770,333</b>	<b>8,205</b>	<b>2,778,538</b>

### Note:

Under the Companies Act of the Cayman Islands, the share premium account is distributable to the owners of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
<b>Operating activities</b>		
Cash (used in)/generated from operations	(142,859)	2,406
Income tax paid	(4,660)	(4,914)
<b>Net cash used in operating activities</b>	<b>(147,519)</b>	<b>(2,508)</b>
<b>Net cash (used in)/generated from investing activities</b>	<b>(1,514)</b>	<b>2,091</b>
<b>Net cash used in financing activities</b>	<b>(279)</b>	<b>(934)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(149,312)</b>	<b>(1,351)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>1,819,833</b>	<b>1,740,255</b>
Effect of changes in exchange rate	(71,311)	18,909
<b>Cash and cash equivalents at end of the period</b>	<b>1,599,210</b>	<b>1,757,813</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 (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) 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 2021, 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 2021, except for certain new and revised HKFRSs that are first effective for the current accounting period of the Group. The application of these 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 2022.

### 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 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



## 2. REVENUE AND SEGMENT INFORMATION (Continued)

### (a) Segment revenue and results

	Rare Earth		Refractory		Total	
	For the six months ended 30 June					
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
<b>Revenue</b>						
Revenue from external customers	267,981	374,627	132,422	164,438	400,403	539,065
Inter-segment revenue	-	-	-	-	-	-
Reportable segment revenue	267,981	374,627	132,422	164,438	400,403	539,065
<b>Results</b>						
Reportable segment profit	9,956	21,740	25,036	16,802	34,992	38,542
Other income					2,737	2,928
Depreciation of property, plant and equipment					(17,749)	(16,067)
Depreciation of right-of-use assets					(1,627)	(1,626)
Finance costs					(64)	(244)
Unallocated corporate expenses					(5,333)	(6,568)
Consolidated profit before taxation					12,956	16,965
Income tax charge					(1,857)	(1,796)
Consolidated profit after taxation					11,099	15,169



## 2. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

	Rare Earth		Refractory		Total	
	For the six months ended 30 June					
	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	267,981	374,627	-	-	267,981	374,627
Refractory materials	-	-	110,635	133,085	110,635	133,085
Magnesium grains	-	-	21,787	31,353	21,787	31,353
<b>Total</b>	<b>267,981</b>	<b>374,627</b>	<b>132,422</b>	<b>164,438</b>	<b>400,403</b>	<b>539,065</b>
<b>Geographical markets</b>						
The People's Republic of China (the "PRC")	258,549	368,215	80,426	136,354	338,975	504,569
Japan	9,040	6,251	28,553	20,768	37,593	27,019
Europe	-	-	537	3,903	537	3,903
Others	392	161	22,906	3,413	23,298	3,574
<b>Total</b>	<b>267,981</b>	<b>374,627</b>	<b>132,422</b>	<b>164,438</b>	<b>400,403</b>	<b>539,065</b>

## 3. FINANCE COSTS

During the six months ended 30 June 2022, finance costs included interest on discounted bills at approximately HK\$63,000 (2021: HK\$244,000) and interest on lease liabilities at approximately HK\$42,000 (2021: HK\$76,000).



#### 4. PROFIT BEFORE TAXATION

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

	For the six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
Depreciation of property, plant and equipment	17,784	16,116
Depreciation of right-of-use assets	1,812	2,242
Write-down of inventories	9,487	7,532
Reversal of write-down of inventories	(76)	(397)

#### 5. INCOME TAX CHARGE

	For the six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
Current tax – PRC Enterprise Income Tax		
Provision for the period	2,410	1,680
Deferred taxation		
Origination and reversal of temporary difference	(553)	116
Income tax charge	1,857	1,796

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 six months ended 30 June 2022 and 30 June 2021 as the estimated assessable profits arising in Hong Kong for the periods were offset with the accumulated tax losses brought forward.



**5. INCOME TAX CHARGE** *(Continued)*

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.

**6. DIVIDEND**

No final dividend for the previous year was declared and paid during the six months ended 30 June 2022 (2021: Nil).

No interim dividend was declared for the six months ended 30 June 2022 (2021: Nil).

**7. EARNINGS PER SHARE**

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of approximately HK\$11,396,000 (2021: HK\$14,469,000) and the weighted average number of approximately 2,341,700,000 (2021: 2,341,700,000) ordinary shares in issue during the period.

Diluted earnings per share for the six months ended 30 June 2022 and 30 June 2021 are the same as the basic earnings per share as there is no dilutive potential ordinary share.

**8. PROPERTY, PLANT AND EQUIPMENT**

During the six months ended 30 June 2022, the Group spent approximately HK\$4,934,000 (2021: HK\$996,000) on additions to property, plant and equipment.



## 9. TRADE AND OTHER RECEIVABLES

Trade and other receivables of the Group comprised:

	<b>30 June 2022 HK\$'000</b>	31 December 2021 HK\$'000
Trade and bills receivables	<b>497,879</b>	539,962
Other receivables	<b>1,816</b>	958
Other tax refundable	<b>15,051</b>	21,524
	<b>514,746</b>	562,444

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

	<b>30 June 2022 HK\$'000</b>	31 December 2021 HK\$'000
Less than 6 months	<b>244,233</b>	493,762
6 months to less than 1 year	<b>265,434</b>	61,443
1 year to less than 2 years	<b>21,442</b>	12,745
Over 2 years	<b>14,516</b>	15,207
	<b>545,625</b>	583,157
Less: Impairment loss on trade and bills receivables	<b>(47,746)</b>	(43,195)
	<b>497,879</b>	539,962

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.



## 10. TRADE PAYABLES

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

	<b>30 June 2022 HK\$'000</b>	31 December 2021 HK\$'000
Less than 6 months	<b>62,913</b>	62,066
6 months to less than 1 year	<b>11,459</b>	10,031
1 year to less than 2 years	<b>9,474</b>	9,196
Over 2 years	<b>23,093</b>	25,368
	<b>106,939</b>	106,661

## 11. PLEDGE OF ASSETS

As at 30 June 2022, certain leasehold lands with carrying amount of approximately HK\$41,017,000 (31 December 2021: HK\$43,739,000) and certain buildings with aggregate no carrying amount (31 December 2021: HK\$1,000) were pledged to a bank as collateral for banking facilities.

## 12. EVENT AFTER THE REPORTING PERIOD

As at 15 August 2022, a subsidiary of the Company entered into an agreement in relation to receiving of maintenance services for soil and groundwater at total service fee of RMB296,000,000 (equivalent to approximately HK\$346,118,000). The services are expected to be completed before the end of the year.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Results

In the first half of 2022, with the continued COVID-19 pandemic, a number of cities in mainland China went under “lockdown” in order to deter the spread of the pandemic and adhere to a zero-COVID policy. Economic activities were restrained amid continued production shutdowns and the transportation was adversely affected. In contrast, many countries around the world gradually lifted quarantine stipulations and other pandemic-related restrictions, leading to a revival of economic growth.

For the six months ended 30 June 2022, the Group recorded a revenue of approximately HK\$400,403,000, down by about 26% from HK\$539,065,000 earned in the same period last year. Revenue from rare earth segment fell by about 28% from HK\$374,627,000 in the first half of 2021 to approximately HK\$267,981,000, contributing to about 67% of the Group’s total revenue. Revenue from refractory segment slipped about 19% from HK\$164,438,000 in the same period last year to approximately HK\$132,422,000, accounting for about 33% of the Group’s total revenue. The gross profit margin for the period was around 11%, which went up slightly from the same period in 2021. Net profit for the period was about HK\$11,099,000, down by about 27% year-on-year. Earnings per share was about HK0.49 cents (2021: HK0.62 cents).



## **Business Review**

### *Rare Earth Business*

In 2022, China stepped up to promote environmental protection policy to facilitate a more eco-friendly economy and meet its goals on carbon neutral goals, the demand for new energy vehicles, wind power generation, industrial electromechanics, renewable energy, railways, transportation, and industrial artificial intelligence has continued to rise, leading to a robust support of the prices of rare earth. During the period, the average unit price of the Group's rare earth products rose by varying degrees from the same period last year. The price of lutetium oxide, one of the key products, increased by less than 5%; the price of dysprosium oxide increased by about 10%; the price of yttrium oxide increased by about 60%; and the prices of terbium oxide and gadolinium oxide soared about 90%. Despite the increase in unit prices, the volume of sales dropped by more than 40% to around 250 tonnes of rare earth products compared to the first half of 2021. As a result, the Group's sales of rare earth products amounted to about HK\$267,981,000 in the first half of 2022, down by about 28% from the same period last year.

In recent years, domestic rare earth resources have been basically controlled by large state-owned enterprises, while imports were limited due to the unstable political situation in Myanmar and the ongoing COVID-19 pandemic. Thus, the Group's business model has been gradually transformed to mainly trading and further processing. The increase in rare earth products prices also pushed up the operating cost of the Group. The gross profit margin of the Group's rare earth segment slid to about 5% in the period under review from the same period last year.

Due to the zero-COVID policy in China, major manufacturing and trading zones such as Shanghai were under temporary "lockdown". Domestic economic activities slowed down. As such, for the geographical market distribution, the Group's rare earth products sold in mainland China went down to about 96% of the rare earth segment revenue, while the Japanese and other overseas markets shared the remaining about 4%.



### *Refractory Materials Business*

Given the uncertainties in China's economic recovery in the first half of 2022, the rebound in the pandemic, as well as the further tightening of preventive and control measures, putting significant pressure on the domestic supply chain, leading some factories to halt production. China's economy was also affected by the zero-COVID policy. Real estate enterprises were also affected in the face of economic pressure, worsening the downturn in the steel, glass and cement industries and bringing difficulties to the domestic refractory industry. Fortunately, overseas economies such as Japan have recovered from the pandemic measures withdrawal, which boosted export of refractory products.

In the first half of 2022, the Group sold around 12,100 tonnes of refractory materials, decreased by more than 25% from the same period last year. The average selling prices of major products like casting materials increased by more than 5%; the price of fused magnesia-chrome bricks rose about 10%; the price of alumina carbon bricks rose about 25%; the average prices of high temperature ceramic products increased by about 50% when compared with the same period last year. During the period under review, the Group's sales of refractory materials posted of about HK\$110,635,000, down by about 17% from the first six months of last year. Despite the increase in the prices of some raw materials, gross profit margin still rose to about 27% during the period through effective cost control.

In terms of magnesium grains business, the Group's magnesium grains factory is located in Haicheng, Liaoning Province in China. In the first half of 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 since the situation rebound. The Group sold approximately 6,500 tonnes of magnesium grains products during the period under review, representing a sharp decrease by about 45% when compared to the same period last year. Although the average selling price of the products increased by more than 20% from the first half of last year, the sales value still fell around 30% to about HK\$21,787,000. As a result of the increase in the prices of some raw materials, the gross profit margin for the period was reduced to about 7%.



In terms of geographical market distribution, the market in mainland China declined due to the pandemic. During the period under review, the ratio of the Group's refractory products in the domestic market in China to total revenue in refractory products fell to approximately 61%. The Japanese market accounted for approximately 22% while other overseas markets, including Korea, accounted for the remaining about 17%.

### **Prospects**

The development of emerging technologies has created many new technology industries, and with the vigorous promotion of global environmental protection measures, and to peak carbon dioxide emissions and achieve carbon neutrality in China, the demand for rare earth applications will continue to rise rapidly. As demand for new energy vehicles accelerates under the favourable policies, the market sees stronger demand for upstream of the supply chain. Demand for rare earth as an indispensable main raw material for high-tech production has gradually increased. The Group will seize the rising market opportunity, adhere to the business strategy of making progress while maintaining stability, implement the high-quality development strategy, and give full play to the strategic value of rare earth applications.

In recent years, China's rare earth industry is mulling a restructuring to form "super groups". For example, China Rare Earth Group Co. Ltd. which under the direct supervision of the State-owned Assets Supervision and Administration Commission of the State Council in China, was formed in late-2021. The Group is actively seeking cooperation to stay ahead of emerging trends. In last December, the Group entered into a strategic cooperation framework agreement with China Northern Rare Earth (Group) High-Tech Co., Ltd. The two parties maintain close communication, and make the effort to implement details of cooperation. Besides, in June this year, the Group also entered into a memorandum of understanding with Longchuan Zhongxin Xisheng Import and Export Co., Ltd., in order to study the feasibility of rare earth upstream penetration so as to pave the way for future development.



## Environmental Maintenance

In 2021, Wuxi Government updated the list of key soil pollution supervision units within the region. In the same year, Yixing Government also requested the related enterprises to conduct soil pollution prevention and control investigations. In first half of 2022, the Group has engaged an independent professional organization to conduct soil and groundwater environmental investigation at the area of its rare earth production plant. After testing and analysis, it was found that there are hidden dangers of excessive pollutants at the area of factory and certain maintenance works is necessary to prevent the risk from spreading and affecting the surrounding ecological environment. After due discussion between the expert and the management, open tender was made. The Group entered into an agreement with a professional environmental protection company in August this year for the provision of comprehensive maintenance services for the relevant area. The work is targeted to be completed within this year, with a total service fee of RMB296,000,000 (equivalent to approximately HK\$346,118,000). Due to the large amount involved, the Company's annual results will be affected and it is expected that a loss may be incurred.

## Liquidity and Financial Resources

The Group continues to be prudent in its financial arrangements to ensure it has adequate liquidity for future investments and expansions. As at 30 June 2022, the Group had cash and bank deposits of approximately HK\$1,599,210,000, which had dropped by more than HK\$200,000,000 as compared to HK\$1,819,833,000 at the end of 2021, but there is still adequate liquidity for future development.

During the period under review, the China economy slowed down due to the impact of the pandemic, and some of the Group's customers were also affected and the credit repayment period were extended, resulting in the aging of the Group's trade receivables was prolonged. In this regard, the Group has proportionally increased the provision for impairment losses. Even though the Group believes that the relevant bad debt risk is limited, it will still pay close attention to the development of the situation and collect the receivables in a timely manner. In addition, in response to the expected tight supply of material resources, the Group arranged advance payments for materials again. As at 30 June 2022, the net current assets of the Group was approximately HK\$2,490,957,000 which was slightly dropped as compared to the end of last year. Total liabilities to total assets ratio remained at about 5%.



During the period under review, the Group did not borrow any money from banks or financial institutions. As at 30 June 2022, the Group continued in pledging certain leasehold lands and buildings with total carrying amount of HK\$41,017,000 with a domestic bank, obtaining a financing facility of RMB150,000,000 (equivalent to approximately HK\$175,398,000) which has not yet been utilized. Apart from that, 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 financial results.

### **Staff and Remuneration**

The Group continued to streamline its manpower structure in line with business needs. As at 30 June 2022, the Group had around 360 employees at different levels. During the period under review, the Group's staff costs including directors' emoluments amounted to about HK\$17,792,000, similar to the same period in 2021. The Group continued to provide on-the-job training and study opportunities to employees to assist them in maintaining professional competence.

### **INTERIM DIVIDEND**

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2022 (2021: Nil).

### **SHARE OPTION SCHEME**

At the Company's annual general meeting held on 6 June 2014, the shareholders of the Company approved the adoption of a new share option scheme currently in force (the "New Scheme") after the old share option scheme, which was previously adopted on 4 June 2004, lapsed on 3 June 2014 for the purpose of providing incentives to participants for their contribution to the Group. During the six months ended 30 June 2022, there was no option granted, cancelled or lapsed under the New Scheme.



## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS

As at 30 June 2022, the interests and short positions of the directors and chief executives of the Company and their respective close associates in the shares, underlying shares and debentures of the Company and its associated corporations as recorded in the register kept by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO") or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules were as follows:

### 1. Interests in shares of the Company

Director	Nature of interest/ Capacity	Number of shares	% to the issued share capital of the Company
Qian Yuanying	Founder of a trust	707,179,200 <i>(Note 1)</i>	30.20%
Qian Yuanying	Interest of controlled corporation	21,000,000 <i>(Note 2)</i>	0.90%
Jiang Quanlong	Interest of spouse/ Interest of controlled corporation	728,179,200 <i>(Notes 1 &amp; 2)</i>	31.10%
Jiang Dawei	Beneficial owner	530,077 <i>(Note 3)</i>	0.02%

Notes:

- 707,179,200 shares are held in long position through YY Holdings Limited, the entire issued share capital of which is held by YYT (PTC) Limited, the trustee of YY Trust, the discretionary object of which is a company wholly owned by Ms. Qian Yuanying, the spouse of Mr. Jiang Quanlong, and her sons. Ms. Qian Yuanying is a founder of YY Trust within the meaning under Part XV of the SFO. Mr. Jiang Quanlong and Ms. Qian Yuanying are the directors of YY Holdings Limited.
- 21,000,000 shares are held in long position through Praise Fortune Limited of which 39.93% of its issued share capital is held by Ms. Qian Yuanying, the spouse of Mr. Jiang Quanlong. Ms. Qian Yuanying is a director of Praise Fortune Limited.
- All the shares are held in long position.



## 2. Interests in shares, underlying shares or equity interests in associated corporations

### (a) *Microtech Resources Limited*

<b>Director</b>	<b>Nature of interest/Capacity</b>	<b>Number and class of issued shares</b>	<b>% in the class of shares in the issued share capital of the company</b>
Qian Yuanying	Beneficial owner	3,000,000 non-voting deferred shares	30%
Jiang Quanlong	Beneficial owner	7,000,000 non-voting deferred shares	70%

### (b) *Yixing Xinwei Leeshing Rare Earth Company Limited*

<b>Director</b>	<b>Nature of interest/Capacity</b>	<b>% equity interest</b>
Jiang Quanlong	Interest of controlled corporation	5%

*Note:*

The equity interest is held by Yixing Xinwei Group Co. Ltd., a PRC domestic enterprise 90% owned by Mr. Jiang Quanlong, with the remaining 10% owned by his spouse Ms. Qian Yuanying. Mr. Jiang Quanlong is also the legal representative of the enterprise.



(c) *YY Holdings Limited*

<b>Director</b>	<b>Nature of interest/Capacity</b>	<b>Number and class of issued shares</b>	<b>% in the class of shares in the issued share capital of the company</b>
Qian Yuanying	Founder of a trust	1 ordinary share	100%
Qian Yuanying	Founder of a trust	25,000 preference shares	100%
Jiang Quanlong	Interest of controlled corporation	1 ordinary share	100%
Jiang Quanlong	Interest of controlled corporation	25,000 preference shares	100%

*Note:*

The entire issued share capital of YY Holdings Limited is held by YYT (PTC) Limited, the trustee of YY Trust, the discretionary object of which is a company wholly owned by Ms. Qian Yuanying, the spouse of Mr. Jiang Quanlong, and her sons. Ms. Qian Yuanying is a founder of YY Trust within the meaning under Part XV of the SFO. Mr. Jiang Quanlong and Ms. Qian Yuanying are the directors of YYT (PTC) Limited.

Save as disclosed above, as at 30 June 2022, none of the directors or chief executives of the Company and their respective close associates had or was deemed to have any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporations as recorded in the register kept under Section 352 of the SFO.



## **SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS**

So far as is known to the directors, as at 30 June 2022, the interests and short positions of shareholders, other than the directors or chief executives of the Company, in the shares and underlying shares of the Company as recorded in the register kept by the Company pursuant to Section 336 of the SFO were as follows:

1. YY Holdings Limited, the entire issued share capital of which is held by YYT (PTC) Limited, was holding 707,179,200 shares of the Company in long position, representing approximately 30.20% of the issued share capital of the Company as beneficial owner.
2. YYT (PTC) Limited was deemed to be interested in long position in 707,179,200 shares of the Company held by YY Holdings Limited, the entire issued share capital of which is held by YYT (PTC) Limited.

Save as disclosed above, no other party, other than the directors or chief executives of the Company, had notified the Company that had any interest or short position in the shares or underlying shares of the Company as recorded in the register kept under Section 336 of the SFO as at 30 June 2022.

## **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 2022.

## **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 six months ended 30 June 2022.



## **AUDIT COMMITTEE AND REVIEW OF FINANCIAL INFORMATION**

The Company established an audit committee (the “Audit Committee”) with written terms of reference in compliance with the CG Code. As at the date of this report, the Audit Committee consists of three independent non-executive directors, namely Mr. Huang Chunhua (chairman), Mr. Jin Zhong and Mr. Dou Xuehong. The main duties of the Audit Committee are to assist the Board in providing an independent review of the completeness, accuracy and fairness of the financial information of the Group, as well as the efficiency and effectiveness of the Group’s operations and internal controls. The Audit Committee has reviewed the accounting principles and policies adopted by the Group and the Group’s unaudited interim results for the six months ended 30 June 2022, and was of the opinion that the preparation of such condensed consolidated interim financial information complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

## **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. 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 2022.

## **SUFFICIENCY OF PUBLIC FLOAT**

Based on information that is publicly available to the Company and within the knowledge of the Board, the Company has maintained sufficient public float as required under the Listing Rules during the period under review and up to the date of this report.



## **MEMBERS OF THE BOARD**

As at the date of this report, 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, 30 August 2022