STRATEGIC FINANCIAL RELATIONS LIMITED
縱橫財經公關顧問有限公司

[For Immediate Release]

China Rare Earth Announces 2008 Annual Results
Vertical Integration Facilitates Capture of Business Opportunities

(24 April 2009 – Hong Kong) — Rare earth and refractory materials manufacturer **China Rare Earth Holdings Limited ("China Rare Earth" or the "Group") (stock code: 769)** today announced its annual results for the year ended 31 December 2008.

The Group recorded turnover of approximately HK$1,364,890,000 for the year, similar to last year. In the second half year, sales of higher margin products were affected by the deterioration of the economic environment. Heeding the uncertain economic outlook, the Group made significant provisions for impairment for certain major assets, including approximately HK$22,089,000 for receivables, approximately HK$37,551,000 for inventories, and approximately HK$127,144,000 in total of one-off impairment loss and revaluation deficit for property, plant and equipment as well as approximately HK$208,804,000 for goodwill impairment loss. In addition, the increased export tariff rates of rare earth products, from 10% in 2007 to 15% or 25% in 2008, also added to the selling expenses of the Group. The overall gross profit margin of the Group was approximately 26% (2007: 33%). Loss for the year was HK$172,407,000 (2007 profit after taxation: HK$299,080,000) and loss per share amounted to approximately HK$12.0 cents (2007 earnings per share: approximately HK20.8 cents).

Rare earth business (including fluorescent materials)

In 2008, the rare earth market was relatively quiet in general and in the second half year impacted by the global economic downturn. The segmental turnover dropped by around 13% and accounted for 45% of the Group's total turnover. The Group sold around 5,300 tonnes of rare earth and downstream products, which was 11% more than last year, with the average gross profit margin at 17%.

Regarding rare earth oxides, taking into account the change in product mix, although its overall sales volume of the year was around 12% higher than in the previous year, sales amount was down by more than 25%. The price of raw materials did not drop significantly during the year and unit price of auxiliary materials, such as chemical solvents like oxalic acid, was up by approximately 10% to 20%. Moreover, the Group increased the impairment provisions for part of the inventory due to the macroeconomic factor. All these resulted in the fall in average gross profit margin of rare earth oxides to below 10% for the year.

As for downstream product business, demand for fluorescent materials dropped as the macroeconomic environment turned for the worse in the second half year. The price of raw materials for producing fluorescent materials surged during the year, which resulted in a decrease of the product's profit margin to 30% in 2008.

By the end of 2008, the Group completed the acquisition of the entire equity interest of Jianghua Yao Nationality Autonomous County Xinghua Rare Earth Company Limited ("Xinghua Rare Earth") and Heping County Dongye Rare Earth Company Limited ("Dongye Rare Earth") to support business development upstream and facilitate broadening of product mix. Located close to a rare earth minerals source, Xinghua Rare Earth specialises in preliminary separation of rare earth by groups. It has long-term supply agreement with a local rare earth mining company to ensure steady supply of rare earth materials. As for Dongye Rare Earth, it produces and sells rare earth metal.

Mr. JIANG Quanlong, Chairman of China Rare Earth, said, "The acquisition of Xinghua Rare Earth has assured the Group of steady supply of rare earth materials, and is conducive to the vertical integration of our rare earth business. And, with Dongye Rare Earth in the family and filling the metal products gap, the Group now boasts a more complete product portfolio, which provides us with a solid foundation for further development in downstream rare earth production. These strategic moves will help to expand our income sources and asset base and ultimately contribute to future development and growth of our business."

In terms of market coverage, China accounted for approximately 71% of the total rare earth sales of the Group, whereas Europe and Japan accounted for 12% and 14% respectively.

Refractory materials business (including high temperature ceramics and magnesium grains)

The business segment saw commendable growth in the first half year of 2008. However, under the shadow of the global financial crisis in the second half year, demand for refractory materials of steel and glass plants was affected and that posed challenge on the Group's business. During the year, the Group sold approximately 67,000 tonnes of ordinary refractory materials, 35,500 tonnes of high temperature ceramics and 37,000 tonnes of fused magnesium grains. Turnover of the segment rose by 11% for the year, accounting for 55% of the Group's total turnover.

Except for alumnia-graphite bricks and magnesia-chrome bricks, which selling price climbed 15%, the selling prices of other major products fluctuated within a 10% range. Regarding costs, the prices of raw materials increased to a certain extent, although it came down in the second half year as affected by the macroeconomic situation, the overall profit margins of ordinary refractory materials and high temperature ceramics were squeezed to around 32% and 37% respectively.

As for the business of fused magnesium grains, its sales volume and sales amount both reported growth in the first half of the year. However, starting in September, with the economic environment deteriorating, selling price dropped to lower than the level in the beginning of the year. The price of major raw materials like magnesium ores, however, increased by over 30% during the year. As a result of the price and cost dynamics, the profit margin of the product was down to around 36% in 2008.

In addition, the Group kicked off a new raw material crushing business in August 2008. Apart from enabling it to improve its own raw material crushing process, the Group can also sell related services to other manufacturers hence has opened for itself a new income source. Development of phase 1 of the high purity magnesium grains plant was completed. To better manage resources, , the Group decided to postpone production at the new plant until market conditions are deemed appropriate. The Group will closely monitor the market and adjust the production plan of the new plant accordingly.

By market, China accounted for approximately 85% share of the refractory material business of the Group. However, the turnover from the Japan market grew by more than 30% during the year and that brought the share of turnover contribution from Japan and Europe to around 15% of the total.

Prospects

The economic stimulus packages launched by the Chinese government including measures to boost domestic demand expected to gradually bear results. Moreover, different countries are stepping up R&D efforts on energy saving technologies for such as energy-saving lightings and hybrid vehicles with rare earth as essential materials, global demand for rare earth will continue to rise. Considering that China boasts the largest rare earth reserves and output and trading volume of rare earth, and the government has substantially reduced the annual rare earth export quotas and tightened control over rare earth mining so as to support development of the industry in the long run, the Group thus remains optimistic about the long-term prospect of the rare earth industry.

The global economic turmoil is expected to continue this year affecting various industries and overall market sentiment. With the majority of the downstream rare earth enterprises which the Group sold to in the domestic market operating mainly export business, the Group's business will be impacted. In the first quarter of 2009, the market for rare earth products used in fluorescent materials improved when compared with the fourth quarter last year. The Group expects the synergies resulting from the acquisition of Xinghua Rare Earth and Dongye Rare Earth to help alleviate part of the impact brought by the macroeconomic environment. Regarding the refractory materials segment, a faster rebound is predicted for refractory materials used by the glass and cement industries.

Mr. JIANG concluded, "The Group will adopt prudent business and financial strategies in combating the short term challenges in the industry. We will streamline our operational structure and seek to increase the utilisation rate of our production lines. The Group is in active negotiation with a major customer about potential cooperation on aspects in relation to production and the technology of downstream rare earth products, with the aim of enhancing its competitiveness and business coverage. We will also continue to look for investment opportunities in refractory materials resources in order to further strengthen the Group's business development. Capitalising on its broadened income streams and asset base, the Group is confident of its ability to weather the testing market conditions and grow into a stronger enterprise."

About China Rare Earth Holdings Limited (Stock Code: 769)

China Rare Earth Holdings Limited has been listed on the Stock Exchange of Hong Kong Limited since October 1999. The Group is engaged in the manufacture and sales of rare earth (including fluorescent materials) and refractory products (including high temperature ceramics and magnesium grains). Rare earth products are widely applied in traditional industries including steel, metallurgy, construction glass, and petrochemical, and high-tech industries such as electronics, communications, aerospace and medical equipment. Refractory products are used extensively in industrial refractory facilities for petrochemical, metallurgy, non-ferrous metallurgy, construction glass, chemical fertilizers, ceramics and power industries, etc. For more information, please visit the company's web site at http://www.creh.com.hk.

For press enquiries:
Strategic Financial Relations Limited

Joanne LAM	2864 4816	joanne.lam@sprg.com.hk
Jover WONG	2114 4955	jover.wong@sprg.com.hk
Linda PUI	2864 4873	linda.pui@sprg.com.hk
Fax:	2804 2789 / 2527 1196	
Website：	http://www.sprg.com.hk	

Appendix: Consolidated income statement for 2008

	For the year ended 31 December	
	2007	2007
	HK$'000	HK$'000
Turnover	**1,364,890**	1,385,345
Cost of sales	**(1,015,603)**	(931,232)
Gross profit	**349,287**	454,113
Other revenue	**13,554**	18,910
Selling and distribution expenses	**(60,139)**	(45,015)
Administrative expenses	**(105,359)**	(29,087)
Other income, net	**696**	2,440
Finance costs	**(10,288)**	(5,227)
Impairment loss on goodwill	**(208,804)**	–
Impairment loss on property, plant and equipment	**(97,498)**	–
(Loss)/ profit before taxation	**(118,551)**	396,134
Income tax	**(53,856)**	(97,054)
(Loss)/ profit for the year	**(172,407)**	299,080
Attributable to:		
Equity shareholders of the Company	**(170,972)**	295,045
Minority interests	**(1,435)**	4,035
	(172,407)	299,080
Dividends	**14,211**	71,057
(Loss)/ earnings per share		
- Basic	**(12.03) cents**	20.76 cents
- Diluted	**(12.03) cents**	20.75 cents

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