

[For Immediate Release]

China Rare Earth Announces 2010 Interim Results

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Net Profit Increases by Two Fold to Reach HK\$63,519,000

(30 August 2010 – 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 interim results for the six months ended 30 June 2010.

The Group recorded a turnover of HK\$598,723,000, an increase of approximately 20%. The overall gross profit margin rose to about 23%. Profit before taxation amounted to HK\$83,038,000, almost double over the last corresponding period. Net profit was HK\$63,519,000, a two-fold increase from last year’s corresponding period, with net profit margin of about 11%. Earnings per share were 3.96 HK cents (first half of 2009: 1.48 HK cents).

Rare earth business (including fluorescent materials)

Turnover from rare earth business rose 48% to reach HK\$383,726,000, accounting for about 64% of total turnover. During the period, the Group sold about 1,600 tonnes of rare earth oxides and downstream products, a surge of about 60% against the same period last year. The gross profit margin of the entire rare earth business segment was approximately 17% during the period.

With the global economy stabilising, demand for environmental friendly and energy saving products as well as consumer electronics products has rebounded which in turn has boosted the price and sales volume of rare earth products. In the rare earth oxides division, the selling price of its products generally rose significantly during the period. The selling price of certain products like terbium oxide rose by about 40% while the selling price of both lanthanum oxide and dysprosium oxide more dramatically increased by more than 70%. The price of praseodymium oxide and neodymium oxide rocketed to double-to-triple of last year’s. In contrast, the price of some products remained relatively stable. For example, the price of yttrium-europium co-precipitates increased by less than 10%. The Group’s production also resumed normal levels. The Group sold about 1,400 tonnes of rare earth oxides during review period, a growth of more than 70% against the same period last year, and gross margin turned around to a profit. Though the increase in production volume helps dilute the average costs, raw material prices rose markedly with the market recovery and the Chinese Government’s introduction of tightening policy for rare earth supply. The price of various rare earth raw materials increased between 30% and 90% against the same period last year, with prices of particular rare earth ores even more than doubled. The gross profit margin of rare earth oxides during the period was 17%.

The turnover and sales volume of fluorescent materials during the period remained at similar levels to the same period last year. However, gross profit margin decreased as the higher price of rare earth oxides has caused costs to rise. As for rare earth salts, prices of major products such as rare earth chloride increased by approximately 30% and overall sales volume also increased by over 1.2 times. However, as the cost of rare earth resources also more than doubled, gross profit margin after amortisation of intangible assets still declined to less than 20%. Regarding rare earth metals, the selling price of the main products such as dysprosium-iron alloy grew by over 40% but sales volume dropped by about 50% due to the slower market acceptance of price increase. Regarding costs, the increase in price of rare earth oxides and the drop in sales volume have caused average cost to rise and thus gross profit margin of rare earth metals to drop to about 10%.

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

Refractory materials business recorded a turnover dropping by approximately 11% year-on-year to HK\$214,997,000 during the period under review, accounting for about 36% of the total turnover. As a result of a changed product mix, the Group sold approximately 31,000 tonnes of ordinary refractory materials and high temperature ceramics, a decline of approximately 5% year-on-year, with sales also reduced by approximately 12%. Gross profit margin of the entire refractory materials business segment was approximately 33%.

The operating environment of the steel and glass industry in China remained challenging as it was still under the effects of the financial crisis; some of the customers have requested deeper price cuts. Thus, the prices of certain ordinary refractory materials and high temperature ceramics such as alumina-graphite bricks, fused magnesium bricks and magnesium-chrome bricks declined by 10% to 25% when compared with the same period last year. However, the average selling price of some products such as fused magnesium-chrome bricks, silicon nitride bonded silicon carbide bricks and acidproof bricks increased in a range from 5% to 20%. Gross profit margin was maintained at a level of approximately 30% because the price of a majority of raw materials increased to different levels which led to rise in costs. Magnesium grain sales rebounded during the period after an over-reacted retraction of the market last year. The sales volume of the fused magnesium grain increased by approximately 30% when compared with the corresponding period last year and the average selling price also surged by about 12% with gross profit margin rebounded to around 25%.

Prospects

Looking ahead, **Mr. Jiang Quanlong, Chairman of China Rare Earth**, commented, “In the second half of 2010, boosted by the anticipated continued increasing demand and prices, the rare earth market is expected to follow the reviving trend in the first half. However, given the external economic uncertainties that may lead to fluctuations in the market, we remain cautiously optimistic about our business prospects. Besides, the Chinese government will further cut the export quota substantially for rare earth products to protect these nation-owned strategic resources, rare earth export is expected to be affected. However, in light of rapid development in China market, the Group will boost its efforts in the domestic market to maximise the available opportunities there.”

OSRAM (China) Fluorescent Materials Co., Ltd., a joint venture set up with OSRAM GmbH, was officially established and the business licence was obtained on 20 May 2010. Construction has begun since then. Phase I is expected to be completed and trial operation is planned for spring of next year. It is expected that the joint venture's annual production capacity of tri-band phosphors will reach 1,000 tonnes. The commencement of operations will help the Group to further expand its downstream rare earth product business, increase the product value and better satisfy the market demand.

As for the refractory materials business, the Group plans to strengthen the R&D to expand and optimise its product range and increase the proportion of refractory materials used in steel making and non-ferrous metal industries, with an aim to capture the higher margin market and any opportunities emerging when the market recovers.

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

China Rare Earth Holdings Limited 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	