



[Press Release]

## China Rare Earth Achieves a Turnaround in 2014 Interim Results

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### Net Profit Increases Significantly to HK\$19,423,000

(27 August 2014 , Hong Kong) — Rare earth and refractory materials manufacturer **China Rare Earth Holdings Limited** (“China Rare Earth” or the “Group”) (stock code: 769) announced its interim results for the six months ended 30 June 2014. Rare earth business steadily improved. The Group’s achieved a turnaround with net profit of HK\$19,423,000 during the period under review.

The rare earth market remained volatile due to the impact of a range of industry-wide factors during the period. As a result of the unfavourable conditions, the Group's overall turnover was HK\$565,834,000 (1H 2013: HK\$744,176,000). Despite the rebound in the selling prices of some rare earth products, the weak downstream product market demand still affected the sales of rare earth oxides, which has led to the decline in overall sales volumes. Turnover of rare earth business was approximately HK\$393,052,000 (1H 2013: HK\$549,401,000), accounting for around 69% of the Group's total turnover. As the cement and steel industries, key sectors for refractory materials, are still facing overcapacity, demand of the refractory materials has been inevitably affected. Turnover of the refractory materials business was HK\$172,782,000 (1H 2013: HK\$194,775,000), accounting for around 31% of the Group's total turnover.

During the period, the Chinese government has launched the policy of the rare earth hoarding plan and the Group sold the lutetium oxides which were stored for more than five years. As the cost of lutetium oxides had been written off in previous years, more than HK\$80,000,000 of the sales amount was fully reflected as net profit during the period, which offset the operating loss incurred in other businesses. The Group's results have turned around from a gross loss of HK\$273,480,000 in the same period last year to a gross profit of HK\$50,998,000 this year, with gross profit margin reaching 9% (1H 2013: gross loss margin of 37%). Besides, the Group had acquired the remaining 50.1% equity interests in Yixing Silver Mile Fluorescent Materials Company Limited with an aggregate gain of approximately HK\$26,975,000. After further deducting selling and administrative expenses and taxation, the Group recorded a net profit of HK\$19,423,000 during the period (1H 2013: net loss of HK\$344,155,000). Earnings per share was HK\$1.31 cents (1H 2013: loss per share of HK\$19.81 cents).

On the other hand, to optimise its management capability and the allocation of resources, the Group entered into an agreement with Asahi Glass Ceramics Co., Ltd. from Japan on 9 July this year. Pursuant to the agreement, the Group agreed to sell the 40% equity interest it previously held in Yixing AGC Ceramics Co., Ltd. to the counter party. The transaction amount was HK\$71,300,000, equal to the Group's original investment cost. The transaction was completed on 1 August. After completion, the Group will continue to sell materials to that company and consistently generate sales contribution to the Group.

The Group has continued to maintain prudent capital arrangements with a healthy financial position. As at 30 June 2014, the Group had cash and bank deposits valued at approximately HK\$1,426,770,000 and a balance of net current assets valued at approximately HK\$2,269,564,000, with the total liabilities to total assets ratio at around 7%.

Look ahead, the management is cautiously optimistic about the global macroeconomic environment in the future. The launch of policies on industry reform measures by the central government will also facilitate the continuous improvement of the rare earth industry in China. In May this year, the Ministry of Industry and Information Technology has announced the elimination of obsolete production capacity and planning to eliminate production capacity of about 100,000 tonnes of rare earth oxide gradually. This initiative will help improve the overall quality of the industry. In July this year, the central government has increased the exploration and production quota of the rare earth industry to support the stronger development of the industry. In addition, a new round of hoarding up rare earth resources by the central government is also expected, which will push up the market price of rare earth products while facilitating a more orderly and healthier development of the rare earth industry.

**Mr JIANG Quanlong, Chairman of China Rare Earth**, concluded, "Despite of the challenging environment, we are still cautiously optimistic about the rare earth market along with the launch of industry optimisation policies by the central government. To take advantage of the ongoing opportunities, the Group will continue to adhere to the pragmatic yet aggressive business approach to enhance its service standard and optimise its product mix. At the same time, it will embark on initiatives to streamline its business and optimally deploy resources in order to realise greater economies of scale and achieve sustainable development."

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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>.

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