

[Press Release]

China Rare Earth's 2018 Interim Revenue Surges 79% to HK\$435 Million

(28 August 2018 , 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 2018. Benefit from a series of government initiatives driving adjustment of rare earth industry discipline and increases in the average product prices of rare earth and refractory materials, the Group posted a revenue of HK\$434,626,000 for the period under review, up by approximately 79% from HK\$243,047,000 in the same period last year.

Revenue of the rare earth segment had an about 104% leap from HK\$137,310,000 in the same period of 2017 to approximately HK\$279,501,000, making up about 64% of the Group's total revenue. Refractory materials brought in revenue amounted to HK\$155,125,000, representing an about 47% increase from HK\$105,737,000 in last corresponding period, accounting for about 36% of the Group's total revenue.

Net loss of approximately HK\$11,682,000 was incurred by the Group for the period under review, representing a sharp decline of 73% relative to HK\$43,339,000 in the same period last year and reflecting a significant improvement in the Group's operation. Loss per share was approximately HK0.49 cents, narrowing by approximately 73% from HK1.82 cents in last corresponding period.

Rare Earth Business

In the first half of 2018, the Group sold about 700 tonnes of rare earth oxides, approximately 36% less than that in the same period last year. Nevertheless, as average selling price was increased during the period and the Group sold more higher price products and less lower price products, the rare earth segment earned approximately 104% more revenue than that in the same period last year. In addition, after the disposal of the loss incurring phosphors business at the end of 2017, the overall performance of rare earth business has improved. Gross loss margin of the Group's rare earth business segment was approximately 2% for the period.

Refractory Materials Business

In the first half of 2018, the Group sold about 11,700 tonnes of ordinary refractory materials and high temperature ceramics products, approximately 14% less than that in the same period last year. During the period, the Group sold approximately 12,700 tonnes of fused magnesium grains with average selling price more than doubled that in the same period last year. Its high purity magnesium grains production line suspended production and sales during the period

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under review. Gross profit margin of the Group's refractory materials segment was approximately 15%.

Prospects

While the Chinese government's measures to regulate the rare earth industry are starting to see result, growth of the magnetic materials and new energy vehicle industries is expected to have positive impact on the rare earth price. However, considering that downstream rare earth operators are relatively prudent hence not active in procurement, the Group expects the rare earth market in China to be on a mixed uptrend in the second half year. For the refractory materials business, the Group expects the market to continue to improve in the second half year, and product price to continue to rise steadily at the drive of strong iron and steel demand.

Ms Qian Yuanying, Chairman of China Rare Earth, concluded, "The Group will continue to negotiate with overseas rare earth operators, to the end of opening more raw material supply channels and also exploring opportunities to invest in overseas rare earth mines, thereby being able to control costs and supply most effectively. In addition, the Group will also strengthen and maintain relationship with existing quality refractory materials customers and actively develop potential customers, aiming to enlarge market share. The Group disposed Hai Cheng Xinwei Leeshing Magnesium Resources Company Limited, the Group's subsidiary responsible for producing high purity magnesium grains last month. After disposal, the Group will continue to look for merger and acquisition opportunities with quality upstream plants to expand production scale, reap greater synergies and improve production efficiency and effectiveness."

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

Listed on The Stock Exchange of Hong Kong Limited in October 1999, China Rare Earth is engaged in the manufacture and sales of quality rare earth and refractory products. 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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