



China Rare Earth Announces Turnaround in 2019 Annual Results

Revenue Rises to HKD 1.019 Billion

Net Profit Reaches HKD 39.59 Million

Importance of National Strategic Resource Comes to the Fore

	For the year ended 31 December		
	2019	2018	Change
Revenue (HK\$'000)	1,018,535	902,095	+ 13%
- Rare Earth Business (HK\$'000)	691,918	554,515	+ 25%
- Refractory Materials Business (HK\$'000)	326,617	347,580	- 6%
Gross Profit Margin	8%	7%	Stable
Net Profit (HK\$'000)	39,587	-7,376	Turnaround
Earnings per Share (HK cents)	1.66	-0.23	Turnaround

- The Group actively enhanced cost efficiency and adopted flexible operation strategies to deal with market changes. As the rare earth industry continued to improve, revenue increased by approximately 13% to HKD 1.019 billion. Gross Profit increased by 28% to HKD 16.68 million. Gross Profit Margin was 8%. Net profit was HKD 39.59 million, a turnaround from a net loss in 2018.
- Core operating performance was positive across the board. The Group increased the sales portion of high-value products, which increased the average selling price of rare earth products during the year. In 2019, the Group's revenue from the rare earth business segment was approximately HK\$ 692 million, an increase of about 25% over last year.

(30 March 2020, Hong Kong) – China Rare Earth Holdings Limited (“China Rare Earth”, together with its subsidiaries, the “Group”; Stock code: 00769.HK), a rare earth and refractory materials products producer, today announced its annual results for the year ended 31 December 2019.

In 2019, the Group actively enhanced cost efficiency and adopted flexible operation strategies to deal with market changes. As the rare earth industry continued to improve, revenue increased by approximately 13% to HKD 1.019 billion. Net Profit experienced a turnaround to HKD 39.59 million. Revenue from the Group's rare earth products rose to approximately HKD 692 million, representing an increase of approximately 25% when compared to 2018, and accounted for about 68% of the total revenue of the Group. As for refractory products, revenue was approximately HKD 327 million, representing a decrease of about 6% when compared to 2018, and accounted for about 32% of the Group's total revenue.

For the rare earth business, influenced by the increasingly regulated industry and the reduced supply of mineral resources, together with the restriction in the import of Myanmar's rare earth resources, the price trend of the domestic rare earth market experienced differentiation. The market price of heavy rare earth increased sharply, while the market price of light rare earth fell slightly. The Group sold more high-priced products, such as terbium and dysprosium, and less low-priced products, such as lanthanum, cerium and yttrium. Sales volume of rare earth products declined by about 30% compared with last year but revenue from the rare earth business segment increased by about 25%. The Group continued to develop the production of high-end products, such as oxides in nanoscales, which help to promote high-value-added industry development of rare earth.

Due to the decline in steel, glass and non-ferrous metal industries in China as a result of the economic slowdown and environmental protection requirements, the refractory materials market was under pressure. The Group did not engage in irrational price competition and focused on quality improvement and won the trust of customers. Due to the soft market of refractory materials and the continuous implementation of environmental protection supervision in the region of Anshan and Haicheng in Liaoning Province of China, the operating environment of the magnesium grains business was poor during the year. However, refractory products are necessary materials for the construction of many heavy industries. It is believed that the market has a solid demand for refractory materials due to the increasing domestic infrastructure projects in China and the guidance of the national "Belt and Road" initiative.

The Group planned to optimise the existing rare earth production process, reduce consumption and save costs. While strengthening cooperation with existing suppliers, the Group will actively seek potential business partners to ensure the sufficiency of supplies to meet customers' needs. In addition, the Group stepped up its technical cooperation with a Japanese refractory materials company. The new technologies and production flow management brought by the partnership improves the Group's

development in automated production process. It is expected that the cooperation will contribute to the Group's business from 2020.

Qian Yuanying, Chairman of China Rare Earth, said: “The visit to rare earth enterprises by the PRC President Xi Jinping in May 2019 highlighted the significance of rare earth as the country’s nonrenewable strategic resource, showing the value of rare earth elements in the high-tech industry nowadays. Rare earth is vital to the high-tech industry and plays a critical role in technological innovation. China is the largest producer of rare earth in the world. Department of Defense in the United States is unavoidably to be an indirect customer of Chinese rare earth enterprises. In response to the national call, we will continue to be committed to developing into high value-added. We expect the Chinese government will continue to launch policies to rectify the operation of the rare earth industry, maintain the strategic position of rare earth in the world and support the long-term development of the rare earth industry in China.”

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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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