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中國稀土控股有限公司
China Rare Earth Holdings Limited
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 769)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

The Board of Directors (the “Board”) of China Rare Earth Holdings Limited (the “Company”) is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2023 together with the comparative figures for the corresponding year in 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<i>Note</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue	2	686,073	810,413
Cost of sales		(837,388)	(809,297)
Gross (loss)/profit		(151,315)	1,116
Other income		2,862	4,920
Selling and distribution expenses		(9,823)	(11,815)
Administrative expenses		(46,035)	(36,794)
Other net loss		(11,264)	(22,664)
Other operating expenses	4	–	(326,412)
Gain on disposal of a subsidiary	10	5,719	–
Loss from operations		(209,856)	(391,649)
Finance costs	3	(309)	(297)
Loss before taxation	4	(210,165)	(391,946)
Income tax credit/(charge)	5	561	(1,731)
Loss for the year		(209,604)	(393,677)
Loss for the year attributable to:			
Owners of the Company		(200,545)	(373,296)
Non-controlling interests		(9,059)	(20,381)
		(209,604)	(393,677)
Loss per share			
– Basic and diluted	7	HK(8.56) cents	HK(15.94) cents

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the year	<u>(209,604)</u>	<u>(393,677)</u>
Other comprehensive loss for the year		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
– Exchange differences on translation of financial statements of foreign operations	(29,952)	(221,094)
– Release of translation reserve upon disposal of a subsidiary	<u>(1,784)</u>	<u>–</u>
Total comprehensive loss for the year	<u>(241,340)</u>	<u>(614,771)</u>
Total comprehensive loss for the year attributable to:		
Owners of the Company	(232,507)	(594,499)
Non-controlling interests	<u>(8,833)</u>	<u>(20,272)</u>
	<u>(241,340)</u>	<u>(614,771)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Non-current assets			
Goodwill		–	–
Property, plant and equipment		131,610	164,273
Right-of-use assets		82,519	88,741
Deferred tax assets		7,273	6,813
		221,402	259,827
Current assets			
Inventories		203,068	191,410
Trade and other receivables	8	423,774	492,031
Prepayments and deposits		5,281	13,065
Tax recoverable		729	911
Cash and cash equivalents		1,299,449	1,452,386
		1,932,301	2,149,803
Current liabilities			
Trade payables	9	74,792	84,631
Accruals and other payables		21,224	37,123
Amounts due to directors		10,097	7,505
Lease liabilities		391	371
Tax payable		2,414	2,544
		108,918	132,174
Net current assets		1,823,383	2,017,629
Total assets less current liabilities		2,044,785	2,277,456
Non-current liabilities			
Lease liabilities		629	1,020
NET ASSETS		2,044,156	2,276,436
CAPITAL AND RESERVES			
Share capital		234,170	234,170
Reserves		1,830,204	2,053,651
Equity attributable to owners of the Company		2,064,374	2,287,821
Non-controlling interests		(20,218)	(11,385)
TOTAL EQUITY		2,044,156	2,276,436

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the consolidated financial statements are consistent with those followed in the preparation of the consolidated financial statements of the Group for the year ended 31 December 2022, except for the new standards, amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants which are effective for accounting periods beginning on or after 1 January 2023. The application of the new standards, amendments and interpretations has no material impact on the results and the financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment is required.

2. REVENUE AND SEGMENT INFORMATION

The Group manages its businesses by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to Chief Executive Officer, who has been identified as the Group's chief operating decision maker, for the purposes of resource allocation and performance assessment, the Group has identified two reportable segments as follows:

Rare Earth: Manufacture and sales of rare earth products
Refractory: Manufacture and sales of refractory products

The measure used for reporting segment profit is “adjusted profit before interest, taxes, depreciation and amortisation”.

(a) Segment revenue and results

	Rare Earth		Refractory		Total	
	2023	2022	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue						
Revenue from external customers	469,423	546,615	216,650	263,798	686,073	810,413
Inter-segment revenue	—	—	—	—	—	—
Reportable segment revenue	<u>469,423</u>	<u>546,615</u>	<u>216,650</u>	<u>263,798</u>	<u>686,073</u>	<u>810,413</u>
Results						
Reportable segment (loss)/profit	<u>(162,363)</u>	<u>(370,062)</u>	<u>2,209</u>	<u>22,810</u>	<u>(160,154)</u>	<u>(347,252)</u>

(b) **Revenue from external customers by sales of major products and geographical markets are as follows:**

	Rare Earth Segment		Refractory Segment		Total	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Types of major products						
Sales of rare earth products						
– Rare earth oxides	<u>469,423</u>	<u>546,615</u>	<u>–</u>	<u>–</u>	<u>469,423</u>	<u>546,615</u>
Sales of refractory products						
– Refractory materials	<u>–</u>	<u>–</u>	<u>167,237</u>	<u>205,999</u>	<u>167,237</u>	<u>205,999</u>
– Magnesium grains	<u>–</u>	<u>–</u>	<u>49,413</u>	<u>57,799</u>	<u>49,413</u>	<u>57,799</u>
Sub-total	<u>–</u>	<u>–</u>	<u>216,650</u>	<u>263,798</u>	<u>216,650</u>	<u>263,798</u>
Total	<u><u>469,423</u></u>	<u><u>546,615</u></u>	<u><u>216,650</u></u>	<u><u>263,798</u></u>	<u><u>686,073</u></u>	<u><u>810,413</u></u>
Geographical markets						
The PRC	<u>461,023</u>	<u>531,872</u>	<u>168,447</u>	<u>179,457</u>	<u>629,470</u>	<u>711,329</u>
Japan	<u>8,400</u>	<u>14,351</u>	<u>34,617</u>	<u>48,239</u>	<u>43,017</u>	<u>62,590</u>
Europe	<u>–</u>	<u>–</u>	<u>1,083</u>	<u>786</u>	<u>1,083</u>	<u>786</u>
Others	<u>–</u>	<u>392</u>	<u>12,503</u>	<u>35,316</u>	<u>12,503</u>	<u>35,708</u>
Total	<u><u>469,423</u></u>	<u><u>546,615</u></u>	<u><u>216,650</u></u>	<u><u>263,798</u></u>	<u><u>686,073</u></u>	<u><u>810,413</u></u>

3. FINANCE COSTS

Finance costs included interest on discounted bills at approximately HK\$248,000 (2022: HK\$218,000) and interest on lease liabilities at approximately HK\$61,000 (2022: HK\$79,000).

4. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging/(crediting):

	2023 HK\$'000	2022 HK\$'000
Cost of remedial works to the soil pollution	–	326,412
Depreciation of property, plant and equipment	30,505	34,744
Depreciation of right-of-use assets	3,393	3,551
Net gain on disposal of property, plant and equipment	–	(397)
Net impairment losses recognised on:		
– trade receivables	4,938	15,244
– other receivables	4	44
	<u><u>4,942</u></u>	<u><u>15,288</u></u>

5. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Income tax in the consolidated statement of profit or loss represents:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current tax – PRC Enterprise Income Tax		
Provision for the year	–	(2,456)
Deferred taxation		
Origination and reversal of temporary differences	<u>561</u>	<u>725</u>
Income tax credit/(charge)	<u><u>561</u></u>	<u><u>(1,731)</u></u>

The Company and its subsidiaries incorporated in the Cayman Islands and the British Virgin Islands, respectively, are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation.

No provision for Hong Kong Profits Tax was made for the years ended 31 December 2023 and 2022 as the estimated assessable profits arising in Hong Kong for the year were offset with the accumulated tax losses brought forward.

PRC Enterprise Income Tax is calculated at the statutory income tax rate of 25% on the estimated assessable profits of the Company's subsidiaries established in the PRC during the years ended 31 December 2023 and 2022.

The PRC Enterprise Income Tax Law also requires withholding tax of 5% or 10% upon distribution of profits by the PRC subsidiaries since 1 January 2008 to its overseas (including Hong Kong) shareholders.

6. DIVIDENDS

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: Nil).

7. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately HK\$200,545,000 (2022: HK\$373,296,000) and the weighted average number of approximately 2,341,700,000 (2022: 2,341,700,000) ordinary shares in issue during the year ended 31 December 2023.

Diluted loss per share equals to the basic loss per share as the exercise of the Company's outstanding share options would have anti-dilutive effect during the years ended 31 December 2023 and 2022.

8. TRADE AND OTHER RECEIVABLES

The Group generally allows a credit period ranging from 0 to 180 days to its customers and allows up to 365 days to reputable customers.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables	418,613	476,680
Other receivables	1,347	985
Other tax refundable	3,814	14,366
	<u>423,774</u>	<u>492,031</u>
Total	<u><u>423,774</u></u>	<u><u>492,031</u></u>

The presentation of ageing analysis of the trade receivables based on the invoice date, which is approximate to the revenue recognition date, is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Less than 6 months	230,558	249,877
6 months to less than 1 year	163,275	147,634
1 year to less than 2 years	18,676	119,253
Over 2 years	64,370	14,049
	<u>476,879</u>	530,813
Less: Impairment loss on trade receivables	<u>(58,266)</u>	<u>(54,133)</u>
	<u><u>418,613</u></u>	<u><u>476,680</u></u>

9. TRADE PAYABLES

The presentation of ageing analysis of the trade payables based on the invoice date is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Less than 6 months	37,334	54,672
6 months to less than 1 year	21,706	11,016
1 year to less than 2 years	5,425	8,756
Over 2 years	10,327	10,187
	<u>74,792</u>	<u>84,631</u>

10. DISPOSAL OF A SUBSIDIARY

On 15 December 2023, the Group entered into an agreement with an independent third party to dispose of its 100% equity interest in Haicheng City Suhai Magnesium Ore Co., Ltd. (“Suhai Magnesium”) at a cash consideration of RMB29,500,000 (equivalent to approximately HK\$32,785,000). Suhai Magnesium was principally engaged in manufacturing and sales of magnesium products. The disposal was completed on 27 December 2023.

Gain on disposal of a subsidiary is as follows:

	<i>HK\$'000</i>
Consideration received	32,785
Net assets disposed of	(28,850)
Cumulative exchange gain in respect of the net assets of the subsidiary reclassified from equity to profit or loss on loss of control in the subsidiary	<u>1,784</u>
Gain on disposal of a subsidiary recognised in profit or loss	<u>5,719</u>

11. PLEDGE OF ASSETS

As at 31 December 2023, certain leasehold lands with carrying amount of approximately HK\$36,444,000 (2022: HK\$38,502,000) and certain buildings with aggregate carrying amount of approximately HK\$Nil (2022: HK\$Nil) were pledged as collateral for banking facilities.

12. COMMITMENTS

As at 31 December 2023 and 2022, the Group had no capital commitments in respect of the acquisition and construction of property, plant and equipment contracted but not provided for.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Rare Earth Business

Rare earths are strategic resources and advantageous areas that China focuses on control and development. In national medium- and long-term development plans such as “Made in China 2025”, rare earth functional materials have always been listed as key strategic materials for focused development.

Rare earth elements are used in a wide range of applications and are important production elements for traditional electronic products, medical and military equipment, and even renewable energy. Rare earths, due to their physical properties, are added to various products and technologies to make them more efficient and reliable, and have extremely high strategic value. With the continuous development of the new energy industry chain and the national policy of orderly promotion of carbon peaking and carbon neutrality, the demand for rare earth materials in wind turbines, solar cells, energy-saving lamps and electric vehicles continues to rise. Among them, the long-term growth trend of end-user penetration rate of high-performance neodymium iron boron (“NdFeB”) permanent magnets remain unchanged, which will be conducive to the long-term stable development of the rare earth industry.

However, in the second half of the Review Year, China’s light rare earth market was dominated by rigid demand transactions. Due to fewer new orders, companies mostly adopted a wait-and-see approach to procurement and focused on depleting inventory, putting pressure on domestic light rare earth market prices. During the year, the sales generated from the rare earth segment was approximately HK\$469,423,000, a decrease of 14% compared with the same period last year. The segment suffered a full-year loss of approximately HK\$162,363,000, a decrease of 56% compared with the same period last year.

In response to the supply situation and customer demand, the Group’s rare earth business operation model is mainly based on trading and processing. During the year, the sales volume of rare earth products fell by 30% compared with the full year of 2022 to approximately 470 tonnes. The three main rare earth sales products, such as terbium oxide, dysprosium oxide and the new product neodymium praseodymium oxide, together account for more than 90% of the overall sales of the rare earth segment. Among them, the sales unit prices of terbium oxide and dysprosium oxide decreased by approximately 10% and 33% respectively due to fluctuations in market conditions.

Facing the ups and downs of the industrial market, the Group actively made response and secured a large number of loyal customers with excellent quality, stable delivery and good reputation. It also acquired new customers during the year and consolidated its sales foundation.

In terms of geographical market distribution, China's domestic sales market accounts for approximately 98% of the total revenue of rare earth products, and Japan's market accounts for the remaining approximately 2%.

Refractory Materials Business

In the face of global economic fluctuations and the sluggish domestic real estate industry, the pressure faced by industries such as steel, glass and cement has also extended to the refractory materials industry. However, with the recent recovery of the automobile industry, especially the stable development of electric vehicles, the application of steel and glass has attracted much attention. As a necessary component in high-temperature furnaces for manufacturing steel, glass and cement, the demand for refractory materials has also received certain support. However, competition in the industry remains fierce, with "price wars" affecting sales prices, and the bidding models of some steel manufacturer customers have changed, directly putting pressure on the sales prices of equipment suppliers. During the year, the sales generated from the refractory materials segment was approximately HK\$216,650,000, a year-on-year decrease of approximately 18%. Segment profit was approximately HK\$2,209,000, a year-on-year decrease of approximately 90%.

The sales volume of refractory products decreased by 10% compared with the full year of 2022 to approximately 22,150 tonnes. The average price of major products has been reduced to varying degrees. In terms of magnesium grains business, its subsidiary Haicheng City Suhai Magnesium Ore Co., Ltd. ("Suhai Magnesium") resumed production in March 2023 and put into practice the work plan, effectively driving a significant increase in sales volume. Approximately 20,800 tonnes of magnesium grains products were sold during the year.

On 15 December 2023, the Group entered into an agreement with an independent third party to dispose of its 100% equity interest in Suhai Magnesium at a cash consideration of RMB29,500,000 (equivalent to approximately HK\$32,785,000). The disposal was completed on 27 December 2023.

In terms of geographical market distribution, China's domestic sales market accounts for approximately 78% of the total revenue of refractory products. In terms of exports, due to the impact of the general environment, foreign customers have declined in usage and have resorted to domestic procurement. Therefore, the Japan market accounts for approximately 16%. Other overseas markets including Korea accounts for approximately 6%.

PROSPECTS

Looking forward to 2024, macroeconomic uncertainty will continue to affect the recovery and development of various industries. It is expected that rare earth market prices will inevitably fluctuate in the short term. However, the market is still optimistic about the long-term trend. In particular, the long-term growth trend of end-user demand such as industrial robots, new energy vehicles, and wind turbines remains unchanged. The end-user penetration rate of high-performance NdFeB permanent magnets is expected to continue to increase, which is conducive to the long-term stable development of the rare earth industry.

In the context of “supply on demand and orderly distribution”, the government will reasonably allocate mining and smelting quotas to rare earth groups based on downstream demand. The oversupply situation in the rare earth industry is expected to be alleviated in 2024. In addition, in January this year, the Ministry of Industry and Information Technology proposed to enhance the supply capacity of high-end products and promote the high-end application of rare earths in aerospace, electronic information, new energy and other fields. In March this year, seven departments including the Ministry of Industry and Information Technology jointly issued the “Guiding Opinions on Accelerating the Green Development of the Manufacturing Industry,” which proposed improving the ability to secure strategic mineral resources such as rare earths. As the new energy attributes of rare earths continue to strengthen, the end-user demand of its industrial chain is expected to improve.

In line with the restructuring situation and market changes in China's rare earth industry in recent years, the Group has actively sought partners and reached a strategic cooperation framework agreement with China Northern Rare Earth (Group) High-Tech Co., Ltd., and continued to communicate with each other to implement substantive cooperation as soon as possible. The investment memorandum of understanding signed with Longchuan Zhongxin Xisheng Import and Export Co., Ltd. in mid-2022 was the Group's plan to extend its development to the upstream of rare earths. In addition, the Group will continue to pay attention to the mineral resources situation in Myanmar, hoping to use this upstream extension strategy to stabilize mineral source channels, master raw material resources, and strengthen its competitive strengths.

In terms of refractory materials, the development intensity of the non-ferrous industry has increased compared with last year. In the first quarter of 2024, the Group successfully won the bid for the new project. In 2023, we achieved “zero” customer complaints and received unanimous praise from customers. In 2024, we will continue to improve product quality, strengthen marketing, and provide customers with better products and services. At the same time, we actively cooperate with various industry associations, design institutes and colleges and universities to strengthen technology research and development and strive to develop domestic and foreign markets.

In addition, the Group will strengthen environmental protection and safety construction and renovation to promote green and sustainable development. With the completion of the environmental maintenance project at the end of 2022, strict review and control measures will still be maintained, and production equipment will be inspected regularly to ensure that it can be quickly modified or repaired when necessary. The Group’s production facilities are located by Taihu Lake in Yixing City. As the Yixing regional government strives to build a green city in recent years and in order to fulfil our social responsibility, the Group will constantly monitor in environmental protection equipment so as to protect the environment in the long run and provide employees with a safety working environment.

FINANCIAL REVIEW

For the year ended 31 December 2023, the Group recorded revenue of approximately HK\$686,073,000, a 15% decrease from HK\$810,413,000 in 2022. Revenue from the Group’s rare earth products recorded revenue of approximately HK\$469,423,000, a 14% decrease from that in last year, and accounted for about 68% of the Group’s total revenue. As for refractory products, revenue was around HK\$216,650,000, a 18% decrease from HK\$263,798,000 in 2022, while accounting for about 32% of total revenue of the Group.

In 2023, the Group suffered a gross loss of approximately of HK\$151,315,000, which is mainly attributable by its rare earth segment because of the rare earth market in China experienced a sharp decline in prices primarily due to insufficient demand and increased supply.

The demand for rare earth minerals in China was lower than expected in 2023, including a slowdown in certain industries that heavily rely on rare earth elements, such as electronics manufacturing and renewable energy sectors and also the economic factors, such as trade tensions and global market conditions. Also, the downstream magnetic materials companies have shown limited inquiries, and magnetic material factories have primarily relied on consuming its existing inventories. As a result, the overall demand on the rare earth products continuously declined, putting downward pressure on the rare earth market.

At the same time, there was an increase in the global supply of rare earth minerals, including from China itself. In recent years, China has been the dominant player in the rare earth market, accounting for a significant portion of global production. However, other countries and mining companies started ramping up their rare earth production, leading to a surplus in the market. This increased supply further contributed to the downward pressure on prices.

The combination of insufficient demand and increased supply created an imbalance in the rare earth market, causing pressure on the prices which is the key factor for the gross loss of the Group for the year ended 31 December 2023.

The loss for the year was approximately HK\$209,604,000, representing a decrease of 47% as compared to the year, which is mainly attributable to the gross loss of HK\$151,315,000 for the year ended 31 December 2023 compared to a gross profit of HK\$1,116,000 last year and the Group engaged an independent professional party to implement a comprehensive maintenance project for the environment enhancement at the area of its rare earth production plant in the second half of 2022 amounts to approximately HK\$326,412,000. Loss per share recorded about HK\$8.56 cents, and the loss per share in 2022 was HK\$15.94 cents.

In the face of market instability, the Group adopts prudent financial strategies and maintains sufficient cash flow to maintain solid financial strength. In terms of operations, the Group actively optimize production, management and sales to reduce costs and increase efficiency, and ensure long-term friendly cooperative relationships with high-quality customers with high-quality products and services.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continues to adopt prudent financial measures and retains sufficient liquidity for future investments and business development. As at 31 December 2023, the Group held cash and bank deposits totalling approximately HK\$1,299,499,000. Among of which there was approximately HK\$1,297,612,000 denominated in Renminbi and placed in the PRC. Cash and bank deposits in total decreased by approximately HK\$152,937,000 from approximately HK\$1,452,386,000 at the end of 2022, but there are still sufficient funds to meet future development needs. Due to the severe impact of the pandemic on the economy, customers payment processes have slowed down significantly, which has affected the delay in the Group's aged trade receivables. As such, the Group increased the provision of impairment loss on trade and other receivables by about HK\$4,938,000 during the year. Although the Group believes that the risk of bad debts is limited, it will still pay close attention to the development of the situation and collect debts in a timely manner. As at 31 December 2023, the Group's net current assets amounted to approximately HK\$1,823,383,000, a decrease of approximately HK\$194,246,000 from the end of 2022. Total liabilities to total assets ratio remained at approximately 5%.

During the year, the Group did not borrow from banks or financial institutions. As at 31 December 2023, the Group has maintained a financing facility of RMB150,000,000 (equivalent to approximately HK\$165,526,000) with a domestic bank by pledging certain leasehold lands and buildings with a total carrying value of approximately HK\$36,444,000. The facility has not been utilised yet. In addition, at the end of the year, the Group had no charge on other assets nor holding any financial derivative products. The Group has no significant exposure to interest rate risk. For foreign exchange risk, most of the Group's assets, liabilities and transactions are denominated in Renminbi with the rest in US dollars and Hong Kong dollars. During the year, the Renminbi depreciated slightly which did not cause material fluctuation or impact on the Group's financial results. The Group will continue to monitor changes in exchange rates and strive to minimise financial risks.

CAPITAL STRUCTURE

The capital structure of the Group comprises issued share capital and reserves. For the year ended 31 December 2023, there was no change to the authorised share capital of the Company which is HK\$400,000,000 dividable into 4,000,000,000 shares in the par value of HK\$0.1 each.

As at 31 December 2023, the Company had issued a total of 2,341,700,281 shares in the par value of HK\$0.1 each, and all shares were fully paid and rank pari passu with each other in all respects.

STAFF AND REMUNERATION

The Group continued to adjust its manpower structure in line with business development needs. As at 31 December 2023, the Group employed a total of approximately 250 staff members, which is slightly lower than the number at the end of 2022. The Group's staff costs for the year, including directors' emoluments, totalled approximately HK\$39,060,000, which is higher than that of 2022 mainly because recognition of equity-settled share based payments of approximately of HK\$9,060,000 for the year (2022: HK\$959,000). The Group continues to provide on-the-job training and further education opportunities for its staff in order to maintain professional competence. At the same time, the Group is actively attracting talent to enhance its competitiveness.

PLEDGE OF ASSETS

As at 31 December 2023, certain leasehold lands with carrying amount of approximately HK\$36,444,000 (2022: HK\$38,502,000) and certain buildings with aggregate carrying amount of approximately HK\$0 (2022: HK\$0) were pledged as collateral for banking facilities.

CAPITAL COMMITMENTS

As at 31 December 2023, the Group had no capital commitments in respect of the acquisition and construction of property, plant and equipment contracted but not provided for (2022: nil).

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2023 (2022: nil).

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR ADDITIONS OF CAPITAL ASSETS

On 15 December 2023, the Group entered into an agreement with an independent third party to dispose of its 100% equity interest in Suhai Magnesium at a cash consideration of RMB29,500,000 (equivalent to approximately HK\$32,785,000) (the “Disposal”). The Disposal was completed on 27 December 2023.

Details of which was disclosed in announcement of the Company dated 15 December 2023.

Except for the above, the Group did not have any significant investments, material acquisition or disposal of any subsidiaries, associates or joint ventures and affiliated companies during the year ended 31 December 2023, nor were there any future plans for material investments or additions of capital assets as at 31 December 2023.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

There has been no purchase, sale or redemption of any of the Company’s listed securities by the Group during the year ended 31 December 2023.

SHARE OPTION SCHEME

At the Company’s annual general meeting held on 6 June 2014, the shareholders of the Company approved the adoption of a new share option scheme currently in force (the “New Scheme”) after the old share option scheme, which was previously adopted on 4 June 2004, lapsed on 3 June 2014 for the purpose of providing incentives to participants for their contribution to the Group. Under the amended Chapter 17 of the Listing Rules, which has come into effect on 1 January 2023, the Company will rely on the transitional arrangements provided for the New Scheme and will only grant share options in compliance with the amended Chapter 17 of the Listing Rules (to the extent applicable).

During the year, 12,500,000 share options was lapsed. As at 1 January 2023 and 31 December 2023, the number of share option outstanding was 100,000,000 and 87,500,000 respectively.

As at 31 December 2023, the total number of Shares that may be issued in respect of options granted under the New Scheme was 67,264,305 Shares, representing approximately 2.87% of the weighted average number of Shares in issue as at 31 December 2023 and as at the date of annual result announcement.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Company established an audit committee (the “Audit Committee”) with written terms of reference in compliance with the CG Code. As at the date of this announcement, the Audit Committee consists of two independent non-executive directors, namely Mr. Huang Chunhua (chairman) and Mr. Jin Zhong. The main duties of the Audit Committee are to assist the Board in providing an independent review of the completeness, accuracy and fairness of the financial information of the Group, as well as the efficiency and effectiveness of the Group’s operations and internal controls. The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2023, and is of the view that the consolidated financial statements have been prepared in accordance with the applicable accounting standards, the Listing Rules and the statutory provisions and sufficient disclosures have been made.

SCOPE OF WORK OF THE AUDITOR

The figures in respect of the Group’s consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2023 as set out in this announcement have been agreed by the Company’s auditor, Ascenda Cachet CPA Limited (the “Auditor”), to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by the Auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Auditor on this announcement.

CHANGE OF COMPANY SECRETARY, AUTHORISED REPRESENTATIVE AND PROCESS AGENT

During the year ended 31 December 2023 and up to the date of this announcement, Mr. Law Lap Tak tendered his resignation as the (i) company secretary (the “Company Secretary”), (ii) an authorised representative of the Company under Rule 3.05 of the Listing Rules (the “Authorised Representative”); and (iii) authorised representative for accepting service of process or notice on behalf of the Company in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the “Process Agent”), with effect from 1 August 2023. Ms. Ng Wing Man (“Ms. Ng”) was appointed as the Company Secretary, an Authorised Representative and the Process Agent with effect from 1 August 2023.

Following Ms. Ng’s resignation as the Company Secretary, an Authorised Representative and the Process Agent with effect from 7 February 2024, Mr. Chu Kin Ming was appointed as the Company Secretary, an Authorised Representative and the Process Agent with effect from 7 February 2024.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to attaining good corporate governance practices and procedures. The Company has adopted its own code of corporate governance based on the principles and code provisions of the Corporate Governance Code (the “CG Code”) contained in Appendix C1 to the Listing Rules. In the opinion of the Board, the Company has complied with the CG Code throughout the year ended 31 December 2023 except for the following:

At the annual general meeting of the Company held on 2 June 2023, Mr. Huang Chunhua and Mr. Jin Zhong, the independent non-executive Directors and Mr. Dou Xuehong, the former independent non-executive director, were unable to attend the above annual general meeting due to other work commitments.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own code of conduct regarding directors’ dealing in the Company’s securities (the “Company’s Code”) on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix C3 of the Listing Rules. Specific enquiry has been made to all directors and all the directors have confirmed that they have complied with the Company’s Code and the Model Code throughout the year ended 31 December 2023.

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: Nil).

EVENTS AFTER THE REPORTING PERIOD

The Board are not aware of any significant event which had material effect on the Group subsequent to 31 December 2023 and up to the date of this announcement.

NON-COMPLIANCE WITH THE LISTING RULES

Following the passing away of Mr. Dou Xuehong on 30 December 2023, the Company is not in compliance with among others, the requirement that (i) the Board must include at least three independent non-executive Directors; (ii) the audit committee of the Company must comprise a minimum of three members, and (iii) the composition of the remuneration committee of the Company (the “Remuneration Committee”) is below the requirement under Rule 3.25 of the Listing Rules. which stipulates the Remuneration Committee must be chaired by an independent non-executive director and must comprise a majority of independent non-executive directors. The Company is still in the process of identifying a suitable candidate to fill the vacancy as soon as practicable and in any event within three months from his passing away.

ANNUAL GENERAL MEETING

The 2023 Annual General Meeting (the “AGM”) will be held on Friday, 21 June 2024. A notice convening the AGM and all other relevant documents will be published and dispatched to the shareholders of the Company in accordance with the requirements of the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The Company’s register of members will be closed from Tuesday, 18 June 2024 to Friday, 21 June 2024, both days inclusive, during which period no transfer of shares will be registered. To ensure that shareholders are entitled to attend and vote at the AGM, shareholders must deliver their duly stamped instruments of transfer, accompanied by the relevant share certificates, to the Company’s branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Monday, 17 June 2024 for registration of the relevant transfer.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.creh.com.hk). The annual report of the Company for the year ended 31 December 2023 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and made available on the above websites in due course.

By order of the Board
China Rare Earth Holdings Limited
Qian Yuanying
Chairman

Hong Kong, 28 March 2024

As at the date of this announcement, the Board of the Company consists of Ms. Qian Yuanying, Mr. Jiang Quanlong, Mr. Jiang Dawei and Mr. Jiang Cainan as executive Directors and Mr. Huang Chunhua and Mr. Jin Zhong as independent non-executive directors.