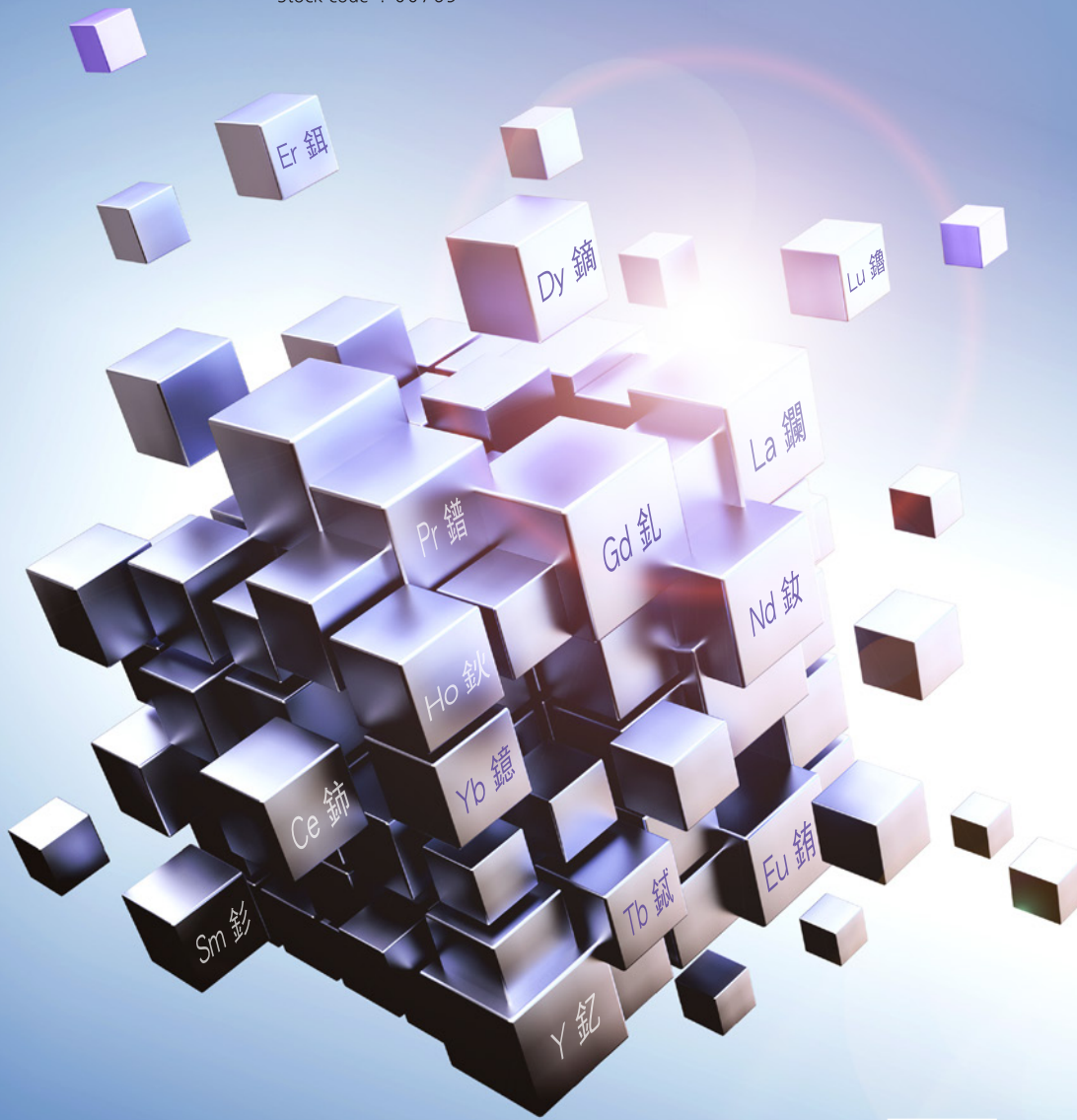




中國稀土控股有限公司 China Rare Earth Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
Stock code : 00769



INTERIM REPORT **2024**



CONTENTS

	<i>pages</i>
Corporate Information	2
Condensed Consolidated Statement of Profit or Loss	3
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	4
Condensed Consolidated Statement of Financial Position	5
Condensed Consolidated Statement of Changes in Equity	6
Condensed Consolidated Statement of Cash Flows	7
Notes to the Condensed Consolidated Interim Financial Information	8
Management Discussion and Analysis	16
Other Information	21

Corporate Information

DIRECTORS

Executive Directors

Mr. Jiang Quanlong (*Acting Chairman*)
Mr. Jiang Dawei
Mr. Jiang Cainan
Ms. Qian Yuanying (*Resigned on 17 May 2024*)

Independent Non-executive Directors

Mr. Huang Chunhua
Mr. Jin Zhong
Mr. Huang Shuwei (*Appointed on 2 April 2024*)

AUDIT COMMITTEE

Mr. Huang Chunhua (*Chairman*)
Mr. Jin Zhong
Mr. Huang Shuwei (*Appointed on 2 April 2024*)

REMUNERATION COMMITTEE

Mr. Huang Shuwei (*Chairman*)
(*Appointed on 2 April 2024*)
Mr. Huang Chunhua
Mr. Jin Zhong

NOMINATION COMMITTEE

Mr. Jin Zhong (*Chairman*)
Mr. Huang Chunhua
Mr. Huang Shuwei (*Appointed on 2 April 2024*)

COMPANY SECRETARY

Mr. Chu Kin Ming (*Resigned on 13 September 2024*)
Mr. Yu Tak Shing Eric (*Appointed on 13 September 2024*)

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Dingshu Town, Yixing City
Jiangsu Province, the PRC

PLACE OF BUSINESS IN HONG KONG

Unit 1011, 10/F, Harbour Crystal Centre
100 Granville Road, Tsim Sha Tsui
Kowloon, Hong Kong

HONG KONG LEGAL ADVISERS

Chiu & Partners

AUDITOR

Ascenda Cachet CPA Limited

PRINCIPAL BANKERS

PRC

China Construction Bank Corporation
China Merchants Bank Company Limited
China Bank of Communications Company Limited
Agricultural Bank of China Limited
Bank of China Limited

Hong Kong

China CITIC Bank International Limited
BNP Paribas
Bank of China (Hong Kong) Limited
Nanyang Commercial Bank, Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited
Suite 3204, Unit 2A
Block 3, Building D
P.O. Box 1586
Gardenia Court, Camana Bay
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

INTERNET WEBSITE

www.creh.com.hk

STOCK CODE ON THE STOCK EXCHANGE OF HONG KONG LIMITED

769

The Board of Directors (the “Board”) of China Rare Earth Holdings Limited (the “Company”) hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2024 together with the comparative figures for the corresponding period in 2023 as follows:

Condensed Consolidated Statement of Profit or Loss

	Note	For the six months ended 30 June	
		2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Revenue	(2)	293,821	375,822
Cost of sales		(336,996)	(467,584)
Gross loss		(43,175)	(91,762)
Other income		1,193	1,588
Selling and distribution expenses		(2,634)	(5,742)
Administrative expenses		(13,925)	(23,468)
Other net loss		(3,148)	(15,882)
Loss from operations		(61,689)	(135,266)
Finance costs	(3)	(23)	(151)
Loss before taxation	(4)	(61,712)	(135,417)
Income tax charge	(5)	(878)	(116)
Loss for the period		(62,590)	(135,533)
Loss for the period attributable to:			
Owners of the Company		(60,328)	(129,390)
Non-controlling interests		(2,262)	(6,143)
		(62,590)	(135,533)
Loss per share			
Basic and diluted	(7)	HK (2.58) cents	HK(5.53) cents

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months
ended 30 June

	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Loss for the period	(62,590)	(135,533)
Other comprehensive loss for the period		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of foreign operations	(13,890)	(65,648)
Total comprehensive loss or the period	(76,480)	(201,181)
Total comprehensive loss for the period attributable to:		
Owners of the Company	(74,370)	(195,488)
Non-controlling interests	(2,110)	(5,693)
	(76,480)	(201,181)

Condensed Consolidated Statement of Financial Position

	Note	As at 30 June 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000 (Audited)
Non-current assets			
Goodwill		–	–
Property, plant and equipment	(8)	117,337	131,610
Right-of-use assets		80,287	82,519
Deferred tax assets		6,346	7,273
		203,970	221,402
Current assets			
Inventories		261,472	203,068
Trade and other receivables	(9)	476,621	423,774
Prepayments and deposits		90,973	5,281
Tax recoverable		724	729
Cash and cash equivalents		1,048,853	1,299,449
		1,878,643	1,932,301
Current liabilities			
Trade payables	(10)	75,261	74,792
Accruals and other payables		24,655	21,224
Amounts due to directors		11,780	10,097
Lease liabilities		401	391
Tax payable		2,414	2,414
		114,511	108,918
Net current assets		1,764,132	1,823,383
Total assets less current liabilities		1,968,102	2,044,785
Non-current liabilities			
Lease liabilities		426	629
NET ASSETS		1,967,676	2,044,156
CAPITAL AND RESERVES			
Share capital		234,170	234,170
Reserves		1,755,834	1,830,204
Equity attributable to owners of the Company		1,990,004	2,064,374
Non-controlling interests		(22,328)	(20,218)
TOTAL EQUITY		1,967,676	2,044,156

Condensed Consolidated Statement of Changes in Equity

	Equity attributable to owners of the Company									
	Share capital	Share premium	Capital reserve	Statutory reserves	Translation reserve	Share option reserve	Accumulated losses	Sub-total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2023 (Audited)	234,170	2,093,306	22,348	232,253	257,484	959	(552,699)	2,287,821	(11,385)	2,276,436
Loss for the period	-	-	-	-	-	-	(129,390)	(129,390)	(6,143)	(135,533)
Other comprehensive loss										
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	(66,098)	-	-	(66,098)	450	(65,648)
Total comprehensive loss for the period	-	-	-	-	(66,098)	-	(129,390)	(195,488)	(5,693)	(201,181)
Lapse of share options	-	-	-	-	-	(286)	286	-	-	-
Recognition of equity-settled share-based payments	-	-	-	-	-	5,038	-	5,038	-	5,038
At 30 June 2023 (Unaudited)	234,170	2,093,306	22,348	232,253	191,386	5,711	(681,803)	2,097,371	(17,078)	2,080,293
At 1 January 2024 (Audited)	234,170	2,093,306	22,348	226,058	225,522	9,568	(746,598)	2,064,374	(20,218)	2,044,156
Loss for the period	-	-	-	-	-	-	(60,328)	(60,328)	(2,262)	(62,590)
Other comprehensive loss										
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	(14,042)	-	-	(14,042)	152	(13,890)
Total comprehensive loss for the period	-	-	-	-	(14,042)	-	(60,328)	(74,370)	(2,110)	(76,480)
Lapse of share options	-	-	-	-	-	(9,568)	9,568	-	-	-
At 30 June 2024 (Unaudited)	234,170	2,093,306	22,348	226,058	211,480	-	(797,358)	1,990,004	(22,328)	1,967,676

Note:

Under the Companies Act of the Cayman Islands, the share premium account is distributable to the owners of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

Condensed Consolidated Statement of Cash Flows

	For the six months ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Operating activities		
Cash used in operations	(243,843)	(238,109)
Income tax paid	–	(492)
Net cash used in operating activities	(243,843)	(238,601)
Net cash generated from investing activities	1,193	1,580
Net cash used in financing activities	(216)	(334)
Net decrease in cash and cash equivalents	(242,866)	(237,355)
Cash and cash equivalents at beginning of the period	1,299,449	1,452,386
Effect of changes in exchange rate	(7,730)	(37,561)
Cash and cash equivalents at end of the period	1,048,853	1,177,470



Notes to the Condensed Consolidated Interim Financial Information

1. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION

The condensed consolidated interim financial information has been prepared in accordance with the applicable disclosure requirements set out in Appendix D2 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The condensed consolidated interim financial information does not include all the information and disclosure required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2023, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The accounting policies used in the condensed consolidated interim financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2023, except for certain new and revised HKFRSs that are first effective for the current accounting period of the Group. The application of these new and revised HKFRSs has no material impact on the Group's financial performance and positions for the current and prior accounting periods. The Group has not early applied any new standards, amendments and interpretations that have been issued but are not yet effective for the six months ended 30 June 2024.

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 the Chief Executive Officer, who has been identified as the Group's chief operating decision maker ("CODM"), for the purposes of resource allocation and performance assessment, the Group has presented two reportable segments as follows:

Rare Earth:	The manufacture and sale of rare earth products
Refractory:	The manufacture and sale of refractory products

Notes to the Condensed Consolidated Interim Financial Information

2. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(a) Segment revenue and results

For the purposes of assessing segment performance and allocating resources between segments, the Group's CODM monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit/(loss) is "adjusted profit before interest, taxes, depreciation and amortisation" ("Adjusted EBITDA"). To arrive at the Adjusted EBITDA, the Group's profit/(loss) further adjusted for items not specifically attributed to an individual reportable segment, such as directors' emoluments, auditor's remuneration and other unallocated corporate expenses.

Notes to the Condensed Consolidated Interim Financial Information

2. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(a) Segment revenue and results (Continued)

Information regarding the Group's reportable segments as provided to the Group's CODM for the purposes of resource allocation and assessment of segment performance for the period is as follows:

	Rare Earth		Refractory		Total	
	2024 HK\$'000	2023 HK\$'000	2024 HK\$'000	2023 HK\$'000	2024 HK\$'000	2023 HK\$'000
For the six months ended 30 June						
Revenue						
Revenue from external customers	237,721	271,214	56,100	104,608	293,821	375,822
Inter-segment revenue	–	–	–	–	–	–
Reportable segment revenue	237,721	271,214	56,100	104,608	293,821	375,822
Results						
Reportable segment loss (Adjusted EBITDA)	(37,155)	(108,877)	(5,664)	(186)	(42,819)	(109,063)
Other income					1,192	1,586
Depreciation of property, plant and equipment					(13,107)	(15,673)
Depreciation of right-of-use assets					(1,472)	(1,500)
Finance costs					–	(118)
Equity-settled share-based payment expenses					–	(5,039)
Unallocated corporate expenses					(5,506)	(5,610)
Consolidated loss before taxation					(61,712)	(135,417)
Income tax charge					(878)	(116)
Consolidated loss after taxation					(62,590)	(135,533)

Notes to the Condensed Consolidated Interim Financial Information

2. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

	Rare Earth		Refractory		Total	
	2024 HK\$'000	2023 HK\$'000	2024 HK\$'000	2023 HK\$'000	2024 HK\$'000	2023 HK\$'000
For the six months ended 30 June						
Sales of major products						
Rare earth oxides	237,721	271,214	–	–	237,721	271,214
Refractory materials	–	–	56,100	84,870	56,100	84,870
Magnesium grains	–	–	–	19,738	–	19,738
Total	237,721	271,214	56,100	104,608	293,821	375,822
Geographical markets						
The People's Republic of China (the "PRC")	235,144	265,888	54,345	73,333	289,489	339,221
Japan	2,577	5,326	1,063	18,356	3,640	23,682
Europe	–	–	–	810	–	810
Others	–	–	692	12,109	692	12,109
Total	237,721	271,214	56,100	104,608	293,821	375,822

3. FINANCE COSTS

During the six months ended 30 June 2024, finance costs included interest on lease liabilities at approximately HK\$23,000 (2023: HK\$33,000) and no interest on discounted bills was recognised (2023: HK\$118,000).

Notes to the Condensed Consolidated Interim Financial Information

4. LOSS BEFORE TAXATION

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

	For the six months ended 30 June	
	2024 HK\$'000	2023 HK\$'000
Depreciation of property, plant and equipment	13,143	15,709
Depreciation of right-of-use assets	1,656	1,684
Write-down of inventories	7,963	45,940
Net impairment loss recognised/(reversed) in		
– trade receivables	2,804	13,388
– other receivables	30	(51)
Equity-settled share-based payment expenses	–	5,039

5. INCOME TAX CHARGE

	For the six months ended 30 June	
	2024 HK\$'000	2023 HK\$'000
Current tax		
Provision for the period	–	–
Deferred taxation		
Origination and reversal of temporary difference	878	116
Income tax charge	878	116

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 six months ended 30 June 2024 and 2023 as the estimated assessable profits arising in Hong Kong for the periods were offset with the accumulated tax losses brought forward.

Notes to the Condensed Consolidated Interim Financial Information

5. INCOME TAX CHARGE (CONTINUED)

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 six months ended 30 June 2024 and 2023. Except for one PRC subsidiary which is classified as "New and High Technology Enterprise" and is entitled to a preferential income tax rate of 15% for a period of three years from January 2024.

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. DIVIDEND

No final dividend for the previous year was declared and paid during the six months ended 30 June 2024 (2023: Nil).

No interim dividend was declared for the six months ended 30 June 2024 (2023: 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\$60,328,000 (2023: HK\$129,390,000) and the weighted average number of approximately 2,341,700,000 (2023: 2,341,700,000) ordinary shares in issue during the period.

Diluted loss per share for the six months ended 30 June 2024 and 2023 equal to the basic loss per share as the exercise of the Company's outstanding share options would have anti-dilutive effect.

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group did not have additions to property, plant and equipment (2023: HK\$8,000).

Notes to the Condensed Consolidated Interim Financial Information

9. TRADE AND OTHER RECEIVABLES

Trade and other receivables of the Group comprised:

	30 June 2024 <i>HK\$'000</i>	31 December 2023 <i>HK\$'000</i>
Trade and bills receivables	459,999	418,613
Other receivables	1,517	1,347
Other tax refundable	15,105	3,814
	476,621	423,774

An ageing analysis of trade receivables based on the invoice date and bills receivables based on the issuance date is as follows:

	30 June 2024 <i>HK\$'000</i>	31 December 2023 <i>HK\$'000</i>
Less than 6 months	274,096	230,558
6 months to less than 1 year	198,173	163,275
1 year to less than 2 years	27,293	18,676
Over 2 years	21,083	64,370
	520,645	476,879
Less: Impairment loss on trade and bills receivables	(60,646)	(58,266)
	459,999	418,613

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.

Notes to the Condensed Consolidated Interim Financial Information

10. TRADE PAYABLES

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

	30 June 2024 <i>HK\$'000</i>	31 December 2023 <i>HK\$'000</i>
Less than 6 months	28,054	37,334
6 months to less than 1 year	17,222	21,706
1 year to less than 2 years	19,296	5,425
Over 2 years	10,689	10,327
	75,261	74,792

11. PLEDGE OF ASSETS

As at 30 June 2024, certain leasehold lands with carrying amount of approximately HK\$35,435,000 (31 December 2023: HK\$36,561,000) and certain buildings with aggregate zero carrying amount (31 December 2023: zero carrying amount) were pledged to a bank as collateral for banking facilities.

12. MATERIAL RELATED PARTY TRANSACTIONS

Name of related party	Relationship with the Group	Nature of transaction	For the six months ended 30 June	
			2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Mr. Jiang Lei	Close family member of executive director of the Company	Expenses relating to short-term lease under HKFRS 16 paid by the Group	396	397



Management Discussion and Analysis

FINANCIAL RESULTS

In the first half of 2024, consumer confidence and demand had not yet recovered due to the turbulent international situation and persistent inflation in major developed economies, which also brought operational challenges to the rare earth industry. However, the government has actively introduced rare earth-related policies to address the supply-demand imbalance and expand market competitiveness. The 'trade-in' policy is expected to drive both stock and incremental demands, and the supply and demand of rare earths is expected to shift from a surplus to a tight balance. Faced with challenges in the industry, the Group insists on improving and optimising its business strategies, improving production efficiency and technology, and continuously enhancing the quality of its products to align with the new economic development situation, and has proactively prepared itself to seize market opportunities when the industry recovers.

For the six months ended 30 June 2024, the Group recorded a total revenue of approximately HK\$293,821,000, down by around 22% from approximately HK\$375,822,000 earned in the same period of 2023. Revenue from the rare earth segment decreased by approximately 12% from around HK\$271,214,000 for the same period last year to HK\$237,721,000, contributing to approximately 81% of the Group's total revenue. Revenue from the refractory products segment slipped by approximately 46% from around HK\$104,608,000 for the same period last year to HK\$56,100,000, accounting for approximately 19% of the Group's total revenue. During the period under review, the Group's overall gross loss margin was approximately 15%/gross loss was approximately HK\$43,175,000. Net loss for the period narrowed to approximately HK\$62,590,000. Loss per share was approximately HK2.58 cents (first half of 2023: loss per share of HK5.53 cents).

BUSINESS REVIEW

Rare Earth Business

Rare earths are strategic resources that China focuses on control and development. This year, the government issued the Regulations on Rare Earth Administration, attaching great importance to the protection of rare earth resources and industrial development. The gradual implementation of supporting measures for "equipment renewal" and "trade-in" on the demand side, as well as the renewal of industrial equipment and automotive motors, are expected to drive demand for rare earth magnetic materials. In the medium to long term, it is conducive to the further reshaping of the supply side of rare earths, while ensuring the safety and stability of the industrial chain and supply chain of rare earth strategic resources, which continuously consolidate China's core competitiveness in the rare earth industry. Driven by new energy vehicles, energy-saving motors, and smart robots, downstream demand for rare earths is extensive and the overall supply is relatively rigid. Supply and demand will return to equilibrium, and prosperity of the industry is expected to improve.

Management Discussion and Analysis

During the period, the sales generated from the rare earth segment was approximately HK\$271,214,000, a decrease of 12% compared with the same period last year. The segment suffered a loss of approximately HK\$37,155,000, a decrease of 66% compared with the same period last year. The sales volume of rare earth products decreased by approximately 40% to approximately 200 tonnes compared to the first half of 2023. The average selling price decreased compared to the same period last year. The main rare earth sales products, such as dysprosium oxide, terbium oxide, and the new product neodymium praseodymium oxide, accounted for 77% of the overall sales in the rare earth segment. The selling prices of dysprosium oxide and terbium oxide decreased by 9% and 45%, respectively, due to market fluctuations.

During the period, the overall rare earth prices in the Chinese market was in a downward trend. Due to the supply-demand imbalance in the market and the sluggish real estate industry had affected demand, and prices remained low in the short term. During the period, the Group's rare earth business operation model continued to be mainly based on trading and processing. Due to various factors, the rare earth industry remained challenging in the first half of 2024, and the gross loss margin of the rare earth segment was approximately 15% during the period.

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 and other overseas markets account for the remaining approximately 2%.

Refractory Materials Business

In the first half of 2024, the Group sold around 6,200 tonnes of refractory materials, representing a year-on-year decrease of approximately 40%. The average selling prices of major products experienced varying degrees of decline. Compared to the same period last year, the price of casting materials decreased by approximately 23%; the price of fused magnesia-chrome bricks decreased by approximately 19%; and the price of aluminium carbon bricks decreased by approximately 6%. During the period, the sales generated from the refractory materials segment was approximately HK\$56,100,000, a year-on-year decrease of approximately 46%. Segment loss was approximately HK\$5,664,000, a year-on-year increase of approximately 29 times.



Management Discussion and Analysis

As economic recovery takes time, the refractory materials industry will inevitably be affected by the policies of controlling real estate investment and regulating overcapacity in the steel industry. The Group's major customers are steel producers. However, the demand for steel did not meet market expectations, prices had yet to rebound, and sales performance was weak, which continued to narrow the margins of steel producing enterprises, and the industry as a whole suffered losses as a result of the impact of the continuous narrowing of the market on both the supply and sales sides. Due to the decrease in demand for refractory materials in the end market, the prices of refractory raw material products dropped. In addition, the prolonged "price wars" caused by the fierce competition in the industry affected the sales prices. Plant and equipment maintenance and rising electricity prices further drove up the costs of sales, resulting in a gross loss margin of approximately 13% during the period.

In terms of magnesium grains business, as Haicheng City Suhai Magnesium Ore Co., Ltd. was disposed on 15 December 2023, the Group did not record any revenue from the magnesium grains business during the period.

In terms of geographical market distribution, the domestic market in China increased to approximately 97% of the Group's revenue from refractory products. The Japanese market accounted for approximately 2% while other overseas markets, including the Korean market, accounted for the remaining approximately 1%.

PROSPECTS

Looking ahead to the second half of 2024, the global landscape continues to fluctuate, affecting the recovery and development of various industries. Excess inventories and overcapacity also affect the rare earth industry. However, the government is also actively introducing relevant management regulations to focus on addressing the supply-demand imbalance in the rare earth industry. It is expected that the industry will grow stably in the long run, and operating results are expected to reach a turning point. The Regulations on Rare Earth Administration states that it is necessary to quickly address the inherent imbalance between the insufficient supply of high-end and the excess supply of low-end rare earth functional materials, improve product quality and nurture brand building by proactively increasing the efforts of supply-side structural reform. On the other hand, it is necessary to strengthen demand-led, oriented to the independent control of new generation strategic emerging industries with advanced technologies and significant driving effects such as information technology, artificial intelligence, new energy and new materials, expand product varieties and niche markets, and continuously enhance the resilience and safety level of the industrial and supply chains.

Management Discussion and Analysis

Rare earth is an important component of non-ferrous metals, an important strategic resource of China, and a key raw material for promoting the transformation and upgrading of traditional industries, supporting the development of high-tech industries as well as national defense science and technology industries, and is crucial for safeguarding China's economic security, national defense security, and accelerating the development of new quality productive forces. It plays a pivotal role in high-end manufacturing and emerging industries such as new energy vehicles, aerospace, green home appliances, smart robots, and low-altitude economy. Rare earth plays an extremely important supporting role in modern high-tech industries. Under the background of "Carbon Peak and Carbon Neutrality", the demand for rare earth will increase, and the strategic position of rare earth will be further enhanced.

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. Meanwhile, the Group will continue to pay attention to the mineral source situation, using this upstream extension strategy to stabilize mineral sources supply, better control raw material resources, and strengthen its competitive strengths.

The Group attaches great importance to environmental protection and safety construction, and maintains rigorous control at all time. The production equipment is regularly inspected to ensure that necessary renovations or repairs can be carried out promptly, thereby promoting green and sustainable development. The Group's production facilities are located on the banks of Taihu Lake in Yixing City. The Group is grateful for the Yixing Government's support over the years, which has enabled the Group to develop and grow in a favourable environment.

Looking ahead, the Group will continue to deepen its business development, solidly enhance product quality and technology upgrading, fully implement corresponding national strategies and policies, establish long-term and stable cooperative relationships with its customers, and actively seek emerging high-quality customers to continuously promote innovative business development and constantly enhance market competitiveness.



Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

The Group continues to be prudent in its financial arrangements to ensure that it has adequate liquidity for future investments and expansions. As at 30 June 2024, the Group had cash and bank deposits of approximately HK\$1,048,853,000, which had dropped by HK\$250,596,000 as compared to HK\$1,299,499,000 at the end of 2023. However, there is still adequate liquidity for future development.

As at 30 June 2024, the net current assets of the Group was approximately HK\$1,764,132,000, representing a decrease as compared to HK\$1,823,383,000 at the end of last year. The total liabilities to total assets ratio remained at approximately 6%.

During the period under review, the Group did not borrow any funds from banks or financial institutions. As at 30 June 2024, the Group has maintained a financing facility of RMB150,000,000 (equivalent to approximately HK\$164,348,000) with a domestic bank by pledging certain leasehold lands and buildings with a total carrying value of approximately HK\$35,435,000. The facility has not been utilized yet. Apart from that, the Group had no charge on other assets nor holding of any financial derivative products. The Group was also not exposed to any material interest rate risk. As for foreign exchange exposure, most of the Group's assets, liabilities, and transactions are denominated in Renminbi, while the rest are denominated in US dollars or Hong Kong dollars. During the period under review, Renminbi depreciated slightly due to a strong US dollar, but this did not cause any significant fluctuations to or impact on the Group's financial results.

STAFF AND REMUNERATION

The Group continued to streamline its manpower structure in line with business needs. As at 30 June 2024, the Group had around 248 employees at different levels. During the period under review, the Group's staff costs including directors' emoluments amounted to HK\$10,007,000, which is lower than the same period in 2023 mainly due to recognition of equity-settled share-based payment expenses of approximately HK\$5,039,000 during the same period in 2023, while there were no such expenses during the period under review, as well as the decrease in the number of employees as a result of the disposal of Haicheng City Suhai Magnesium Ore Co., Ltd. on 15 December 2023. The Group continued to provide regular on-the-job training and study opportunities to the employees to assist them in maintaining professional competence.

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2024 (2023: Nil).

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

There was no significant subsequent event affecting the Company after 30 June 2024 and up to the date of this report.

Other Information

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).

On 30 November 2022, the Company granted 100,000,000 share options to five existing members of staff and five proposed members of staff within the Group, in which, 12,500,000 share options were granted to two key management personnel, to subscribe for ordinary shares of HK\$0.10 each in the share capital of the Company at an exercise price of HK\$0.51 per share. The vesting period of such share options granted is from 30 November 2022 to 29 November 2023, while the exercise period is from 30 November 2023 to 5 June 2024.

The number of options available for grant under the scheme mandate limit of the New Scheme as at 1 January 2024 was 67,264,305 shares of the Company (the "Shares"). No options were granted under the New Scheme during the six months ended 30 June 2024.

The New Scheme was lapsed on 5 June 2023.

Particulars of the movement of the options granted under the New Scheme during the six months ended 30 June 2024 were as follows:

Participants	Date of grant	Vesting period	Exercise period	Exercise price per Share	Number of options				
					Held at 1 January 2024	Granted during the period	Exercised during the period	Cancelled or lapsed during the period	Held at 30 June 2024
Employees									
In aggregate	30 November 2022	30 November 2022 to 29 November 2023	30 November 2023 to 5 June 2024	HK\$0.51	31,500,000	-	-	31,500,000	-
Proposed employees									
In aggregate	30 November 2022	30 November 2022 to 29 November 2023	30 November 2023 to 5 June 2024	HK\$0.51	56,000,000	-	-	56,000,000	-
					87,500,000	-	-	87,500,000 (Note)	-

Note:

The number of options cancelled or lapsed during the period was 87,500,000, which was due to the exercise of option expired.

Other Information

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS

As at 30 June 2024, the interests and short positions of the directors and chief executives of the Company and their respective close associates in the shares, underlying shares and debentures of the Company and its associated corporations as recorded in the register kept by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO") or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules were as follows:

1. Interests in shares of the Company

Director	Nature of interest/Capacity	Number of shares	% to the issued share capital of the Company
Qian Yuanying	Founder of a trust	707,179,200 (Note 1)	30.20%
Qian Yuanying	Interest of controlled corporation	21,000,000 (Note 2)	0.90%
Jiang Quanlong	Interest of spouse/Interest of controlled corporation	728,179,200 (Notes 1 & 2)	31.10%
Jiang Dawei	Beneficial owner	530,077 (Note 3)	0.02%

Notes:

- 707,179,200 shares are held in long position through YY Holdings Limited, the entire issued share capital of which is held by YYT (PTC) Limited, the trustee of YY Trust, the discretionary object of which is a company wholly owned by Ms. Qian Yuanying, the spouse of Mr. Jiang Quanlong, and her sons. Ms. Qian Yuanying is a founder of YY Trust within the meaning under Part XV of the SFO. Mr. Jiang Quanlong and Ms. Qian Yuanying are the directors of YY Holdings Limited.
- 21,000,000 shares are held in long position through Praise Fortune Limited of which 39.93% of its issued share capital is held by Ms. Qian Yuanying, the spouse of Mr. Jiang Quanlong. Ms. Qian Yuanying is a director of Praise Fortune Limited.
- All the shares are held in long position.

Other Information

2. Interests in shares, underlying shares or equity interests in associated corporations

(a) *Microtech Resources Limited*

Director	Nature of interest/Capacity	Number and class of issued shares	% in the class of shares in the issued share capital of the company
Qian Yuanying	Beneficial owner	3,000,000 non-voting deferred shares	30%
Jiang Quanlong	Beneficial owner	7,000,000 non-voting deferred shares	70%

(b) *Yixing Xinwei Leeshing Rare Earth Company Limited*

Director	Nature of interest/Capacity	% equity interest
Jiang Quanlong	Interest of controlled corporation	5%

Note:

The equity interest is held by Yixing Xinwei Group Co. Ltd., a PRC domestic enterprise 90% owned by Mr. Jiang Quanlong, with the remaining 10% owned by his spouse Ms. Qian Yuanying. Mr. Jiang Quanlong is also the legal representative of the enterprise.

Other Information

(c) YY Holdings Limited

Director	Nature of interest/Capacity	Number and class of issued shares	% in the class of shares in the issued share capital of the company
Qian Yuanying	Founder of a trust	1 ordinary share	100%
Qian Yuanying	Founder of a trust	25,000 preference shares	100%
Jiang Quanlong	Interest of controlled corporation	1 ordinary share	100%
Jiang Quanlong	Interest of controlled corporation	25,000 preference shares	100%

Note:

The entire issued share capital of YY Holdings Limited is held by YYT (PTC) Limited, the trustee of YY Trust, the discretionary object of which is a company wholly owned by Ms. Qian Yuanying, the spouse of Mr. Jiang Quanlong, and her sons. Ms. Qian Yuanying is a founder of YY Trust within the meaning under Part XV of the SFO. Mr. Jiang Quanlong and Ms. Qian Yuanying are the directors of YYT (PTC) Limited.

Save as disclosed above, as at 30 June 2024, none of the directors or chief executives of the Company and their respective close associates had or was deemed to have any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporations as recorded in the register kept under Section 352 of the SFO.

Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

So far as is known to the directors, as at 30 June 2024, the interests and short positions of shareholders, other than the directors or chief executives of the Company, in the shares and underlying shares of the Company as recorded in the register kept by the Company pursuant to Section 336 of the SFO were as follows:

1. YY Holdings Limited, the entire issued share capital of which is held by YYT (PTC) Limited, was holding 707,179,200 shares of the Company in long position, representing approximately 30.20% of the issued share capital of the Company as beneficial owner.
2. YYT (PTC) Limited was deemed to be interested in long position in 707,179,200 shares of the Company held by YY Holdings Limited, the entire issued share capital of which is held by YYT (PTC) Limited.

Save as disclosed above, no other party, other than the directors or chief executives of the Company, had notified the Company that had any interest or short position in the shares or underlying shares of the Company as recorded in the register kept under Section 336 of the SFO as at 30 June 2024.

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 six months ended 30 June 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 of the Listing Rules. In the opinion of the Board, the Company has complied with the CG Code throughout the six months ended 30 June 2024.



Other Information

AUDIT COMMITTEE AND REVIEW OF FINANCIAL INFORMATION

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 report, the Audit Committee consists of three independent non-executive directors, namely Mr. Huang Chunhua (chairman), Mr. Jin Zhong and Mr. Huang Shuwei. 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 accounting principles and policies adopted by the Group and the Group’s unaudited interim results for the six months ended 30 June 2024, and was of the opinion that the preparation of such condensed consolidated interim financial information complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own Securities Dealing Code (the “Company’s Code”) regarding securities transactions by directors on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix C3 of the Listing Rules. Having made specific enquiry, the Company confirms that all directors have complied with the required standards as stated in the Model Code and the Company’s Code throughout the six months ended 30 June 2024.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Board, the Company has maintained sufficient public float as required under the Listing Rules during the period under review and up to the date of this report.

MEMBERS OF THE BOARD

As at the date of this report, the Board consists of Mr. Jiang Quanlong, Mr. Jiang Dawei and Mr. Jiang Cainan as executive directors and Mr. Huang Chunhua, Mr. Jin Zhong and Mr. Huang Shuwei as independent non-executive directors.

By order of the Board
China Rare Earth Holdings Limited
Jiang Quanlong
Acting Chairman

Hong Kong, 30 August 2024