



RESULTS FOR THE YEAR ENDED 31 DECEMBER 2000

FINANCIAL HIGHLIGHTS

- Turnover surged 25% to HK\$558 million
- Profit attributable to shareholders increased 74% to HK\$141 million
- Basic earnings per share were HK23.2cents

The Board of Directors of China Rare Earth Holdings Limited 中國稀土控股有限公司, formerly known as Yixing Xinwei Holdings Limited 宜興新威控股有限公司 (the "Company") announced the audited consolidated results of the Company and its subsidiaries (collectively known as the "Group") for the year ended 31 December 2000 together with the comparative figures for the corresponding year in 1999 as follows:

		Year ended 31 December	
<i>Notes</i>		2000	1999
		<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	558,231	447,845
Cost of sales		(367,455)	(287,088)
Gross profit		190,776	160,757
Other revenue		4,648	633
Distribution and selling expenses		(5,140)	(10,004)
Administrative expenses		(33,015)	(31,927)
Profit from operations		157,269	119,459
Finance costs		(5,770)	(4,645)
Other operating (expenses) income		(5,820)	2,090
Profit before taxation		145,679	116,904
Taxation	3	-	(32,745)
Profit after taxation		145,679	84,159
Minority interests		(4,756)	(2,992)
Profit attributable to shareholders		140,923	81,167
Dividends	4	26,277	18,401
Earnings per share			
Basic	5	23.2 cents	16.8 cents
Diluted	5	22.7 cents	N/A

Notes:

1. **Basis of presentation**

The companies within the Group underwent a reorganization (the "Reorganization") to rationalize the Group's structure in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited on 15 October 1999. The Reorganization has been accounted for as a reorganization of the Group as a continuing entity and accordingly, the operating results have been prepared using the merger basis of accounting as if the current group structure had been in existence throughout 1999.

2. **Turnover**

Turnover comprised:

		Year ended 31 December	
		2000	1999
		<i>HK\$'000</i>	<i>HK\$'000</i>
Sales of rare earth products		371,211	304,085
Sales of refractory products		187,020	143,760
		558,231	447,845

3. **Taxation**

Taxation charges comprised:

		Year ended 31 December	
		2000	1999
		<i>HK\$'000</i>	<i>HK\$'000</i>
PRC enterprise income tax		-	37,798
- Current		-	(5,053)
- Financial refunds (note c)		-	32,745
		-	32,745

Notes:

(a) No provision for Hong Kong profits tax has been made as the Group had no assessable profits in Hong Kong during the two years.

(b) Companies within the Group were subject to enterprise income tax ("EIT") in the People's Republic of China (the "PRC") at rates ranging from 24% to 33% on assessable profits. A substantial portion of the operations of the Group is conducted through two subsidiaries of the Group which are enterprises with foreign investments in the PRC. Pursuant to the relevant tax laws in the PRC, these two subsidiaries are entitled to full exemption from enterprise income tax for two years starting from its first profit-making year, after offsetting all losses brought forward, followed by a 50% reduction for the next three years thereafter (the "Tax Holiday"). The Group has deferred its entitlement to the Tax Holiday to Year 2000, as a result, full provision for EIT was made for the year ended 31 December 1999 while there was a full exemption of EIT in 2000.

(c) Pursuant to relevant documents issued by the municipal branch of the Ministry of Finance and the municipal Tax Bureau of Yixing City of Jiangsu province, the PRC, the Group was granted financial refunds equal to a portion of the EIT paid by the Group. However, the Group no longer enjoys such refunds in 2000.

(d) There was no material unprovided deferred taxation as at 31 December 2000 and 1999.

4. **Dividends**

		Year ended 31 December	
		2000	1999
		<i>HK\$'000</i>	<i>HK\$'000</i>
Dividends declared prior to the listing of the Company		-	6,401
Interim, paid of HK\$0.01 (1999:Nil)		6,018	-
Final, proposed of HK\$0.03(1999:HK\$0.02) per ordinary share		20,259	12,000
		26,277	18,401

5. **Earnings per share**

Basic earnings per share is calculated based on profit attributable to shareholders for the year of approximately HK\$140,923,000 (1999: HK\$81,167,000) and the weighted average number of 607,683,580 (1999: 482,876,712) ordinary shares in issue during the year.

Diluted earnings per share is calculated based on the adjusted profit attributable to shareholders of approximately HK\$141,486,000 and a weighted average number of 623,944,013 ordinary shares (1999: N/A) after taking into consideration the potential dilution effect of conversion of convertible bonds.

6. **Transfer to and from reserves**

		Year ended 31 December	
		2000	1999
		<i>HK\$'000</i>	<i>HK\$'000</i>
Transfer from profit after taxation to Statutory reserves		14,529	9,840

Notes:

In accordance with relevant financial regulations of the PRC and articles of association of the companies within the Group incorporated in the PRC, the Group is required to appropriate certain of their statutory net income (after offsetting any prior year losses) to the statutory reserves. In particular, a 100% owned PRC subsidiary is required to transfer at least 10% to a statutory general reserve until the reserve balance reaches 50% of the registered capital of that subsidiary. Accordingly, appropriations in an aggregate amount of approximately HK\$14.5 million (1999: HK\$9.8 million) were made by the two PRC subsidiaries to these reserves.

7. **Comparative figures**

Certain 1999 comparative figures were reclassified to conform with current year's presentation.

HIGHLIGHTS OF RESULTS

For the financial year ended 31 December 2000, the Group recorded a turnover of HK\$558 million representing a 25% growth compared to HK\$448 million in the previous year. The Group's profit attributable to shareholders was HK\$141 million, representing a substantial increase of 74% from HK\$ 81 million in 1999. Basic earnings per share were HK23.2 cents for the year and diluted earnings per share were HK22.7 cents.

As the new production facilities were completed during the year, production volume and sales volume increased. In addition, a huge demand for the Group's products have driven up the prices that also led to an increase in total turnover of the year. On the other hand, tight supply of raw materials drove up the material costs and thinned the growth in gross profit. The Group commenced enjoying its Tax Holiday this year and the PRC enterprise income tax was fully exempted. This contributed to a substantial increase in net profit.

DIVIDENDS

The Board of Directors has resolved to recommend the payment of a final dividend of HK3 cents (1999: HK2 cents) per share. Together with the interim dividend of HK1 cent per share paid in September 2000, total dividends for the year will amount to HK4 cents per share. Subject to the approval of shareholders at the forthcoming Annual General Meeting to be held on 18 May 2001 (Friday), the final dividend will be paid on or before 28 May 2001 to registered shareholders.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 15 May 2001 (Tuesday) to 18 May 2001 (Friday), both days inclusive, during this period no transfer of shares will be registered. In order to qualify for entitlement of the proposed final dividend and for attending the Annual General Meeting of the Company, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Central Registration Hong Kong Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on 14 May 2001 (Monday).

BUSINESS REVIEW AND OUTLOOK

During the year, the Group completed two expansion projects for its production facilities. With the installation of advanced equipment, adoption of the latest production techniques and employment of talented professionals in different areas, including research and development as well as operations and management, the profitability of the Group has been strengthened and it contributes a solid foundation for the Group's development in the future.

In view of the intensive development of the high technology industry and information technology related businesses, the application of rare earth materials increases. Many rare earth separating plants in other countries were closed down due to cost inefficiencies and lack of rare earth resources. Additionally, the PRC Government's controls and regulations towards rare earth exploitation have limited the supply of rare earth resources. These factors have led to a shortage in the supply and driven up prices of products. The PRC Government is also making much effort in regulating the export quota for rare earth products. The Group is benefited from a relatively higher number of quotas allocated. This will boost the Group's export and foreign trade growth rates. For the refractory products, as high technology and modern industries require high standard products, quality refractory products have tremendous market value and growth potentials.

BUSINESS REVIEW FOR 2000

Expansion of Production Facilities - The expansion of the light rare earth extraction plant was completed in May 2000 and the annual production of rare earth surged 40% from 3,500 tonnes (REO) to 4,900 tonnes (REO). The Group is rapidly establishing its leading position in the rare earth industry in terms of production capacity and equipment functionality. The new production line for the refractory products was completed in June. It raised the annual production capacity of refractory products from 30,000 tonnes to 50,000 tonnes, representing an increment of 66%.

Financial Status - In 2000, the Group completed two capital raising activities. In June 2000, it issued US\$5,000,000 3% unsecured convertible bonds due in 2003 to an independent investment institution. Net proceeds was used for general working capital purposes. A portion of the bonds was converted to 5,294,169 new shares by the end of 2000. In November 2000, the Group also made a placement offer of 105,000,000 shares at HK\$1.05 each to several leading institutional and professional investors. The placing took the conventional form of a placing of the controlling shareholder's 105,000,000 shares and that such controlling shareholder subscribes for 70,000,000 new shares. Subsequent to this share placement, the free float of the Group's share increased from 25% to 38%. After deduction of expenses, the Group raised approximately HK\$72,000,000. The proceed is deposited with banks and it will be used to expand the Group's rare earth separating business in 2001.

Distribution Network - Over 60% of the Group's rare earth products were exported directly or indirectly overseas, with exports to the European market continuing to increase. For refractory products, an increased portion will be exported overseas. Apart from Japan, the United States and Canada are potential markets.

Research and Development - The Group's products are well-known for their high quality. During the year, the Group keenly enhanced its research and development capability and upgraded the standard in product analysis.

Environmental Protection - The Group is planning to apply for ISO14000 certification in 2001.

Change of Company Name - A company name change was proposed and approved by the shareholders in an extraordinary general meeting held on 19 May 2000 and the new company name "China Rare Earth Holdings Limited 中國稀土控股有限公司" has become effective.

Looking ahead, the Group will continue to improve its operational management, cost controls and to produce more quality value-added products. The Group is also seeking to acquire suitable projects to expand its business vertically. To enhance the production capability, the Group is now investing HK\$150,000,000 in the construction of another rare earth separating production line for Ionic Ore with an annual production capacity of 3,000 tonnes. It is expected to be completed in June 2001. The Group has also scheduled the expansion of its rare earth metal production line by the end of 2001. At that time, production volume for rare earth metal will surge to 1,000 tonnes per annum. In addition, the Group will further diversify the market base by increasing its volume of export.

CODE OF BEST PRACTICE

The Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the year.

The Company established an audit committee with written terms of reference in compliance with the Code of Best Practice throughout the year ended 31 December 2000. The audit committee comprised the two independent non-executive directors of the Company, Messrs. Liu Yujun and Huang Chunhua.

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.

PUBLICATION OF ANNUAL REPORT ON THE STOCK EXCHANGE'S WEBSITE

The Annual Report of the Company containing full details of the information required to be disclosed under Appendix 16 of the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk) in due course.

On behalf of the Board
Jiang Quanlong
Chairman

Hong Kong, 28 March 2001

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of China Rare Earth Holdings Limited (the "Company") for the year 2001 will be held at Chater Room II, The Ritz-Carlton, Hong Kong, Three Connaught Road Central, Hong Kong on 18 May 2001 (Friday), at 10:30 a.m. to deal with the following matters:

- (1) To receive and consider the Reports of the Directors and Auditors and the audited Financial Statements of the Company for the year ended 31 December 2000.
- (2) To declare a final dividend.
- (3) To re-elect the retiring Directors and to authorize the Board of Directors of the Company (the "Board") to fix their emoluments.
- (4) To re-appoint the retiring auditors, Messrs. Arthur Andersen & Co., and to authorize the Board to fix their remuneration.
- (5) As special business, to consider and, if thought fit, pass the following resolutions as Ordinary Resolutions:

A. "THAT:

- (a) Subject to paragraph (c) below, the exercise by the Board during the Relevant Period (as defined in paragraph (d) of this Resolution) of all the powers of the Company to allot, issue and deal with unissued shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be and it is hereby generally and unconditionally approved;
- (b) The approval in paragraph (a) shall authorize the Board during the Relevant Period to make or grant offers, agreements and options which would or might be exercised after the end of the Relevant Period;
- (c) The aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Board pursuant to the approval in paragraph (a), otherwise than pursuant to:-
 - (i) a Rights Issue (as hereinafter defined);
 - (ii) any share option scheme of the Company; or
 - (iii) any issue of shares in lieu of the whole or part of a dividend on shares in accordance with the Articles of Association of the Company and other relevant regulations,

shall not exceed twenty per cent (20%) of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution, and the said approval shall be limited accordingly; and

(d) For the purpose of this Resolution:

- "Relevant Period" means the period from the passing of this resolution until whichever is the earlier of:
- (1) the conclusion of the next annual general meeting of the Company;
 - (2) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the Memorandum and Articles of Association of the Company to be held; and
 - (3) the revocation or variation of the mandate granted under this resolution by ordinary resolution of the members in general meeting.

"Rights Issue" means an offer of shares open for a period fixed by the Board to holders of shares whose names appear on the Register of Members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Board may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements or any

recognized regulatory body or any stock exchange in, any territory applicable to the Company).".

B. "THAT:

- (a) subject to paragraph (b) below, the exercise by the Board during the Relevant Period (as defined in paragraph (c) of this Resolution) of all the powers of the Company to repurchase its shares, subject to and in accordance with all applicable laws and/or the requirements of The Stock Exchange of Hong Kong Limited, as amended from time to time, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of shares authorized to be repurchased by the Company pursuant to the approval in paragraph (a) above during the Relevant Period shall not exceed ten per cent (10%) of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this resolution, and the said approval shall be limited accordingly; and
- (c) For the purpose of this Resolution: "Relevant Period" means the period from the passing of this resolution until whichever is the earlier of:
 - (1) the conclusion of the next annual general meeting of the Company;
 - (2) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the Memorandum and Articles of Association of the Company to be held; and
 - (3) the revocation or variation of the mandate granted under this resolution by ordinary resolution of the members in general meeting."

- C. "THAT conditional on the passing of the Ordinary Resolutions Nos 5A and 5B as set out above, the general mandate granted to the Board to allot, issue and deal with additional shares pursuant to Ordinary Resolution No. 5A be and is hereby extended by the additional to the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to the Ordinary Resolution No. 5B above, provided that such extended amount shall not exceed ten per cent (10%) of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution."

By Order of the Board
LAW Lap Tak
Company Secretary

Hong Kong, 28 March 2001
Principal Place of Business:
Room 1301, Ruttonjee House, Ruttonjee Centre
11 Duddell Street, Central, Hong Kong

Notes:

- (1) A member entitled to attend and vote at the meeting mentioned above is entitled to appoint in written form one or more proxies to attend and vote at the AGM on his/her behalf. A proxy need not be a member of the Company.
- (2) To be valid, the proxy form together with the certified power of attorney or authority (if any) must be delivered to the Company's Branch Registrar in Hong Kong, Central Registration Hong Kong Limited at Rooms 1901-1905, 19th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time of the meeting.
- (3) The Register of Members of the Company will be closed from Tuesday, 15 May 2001 to Friday, 18 May 2001 (both days inclusive), during which period no transfer of the Company's shares will be effected.