



宜興新威控股有限公司
Yixing Xinwei Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

RESULTS FOR THE YEAR ENDED 31 DECEMBER 1999

FINANCIAL HIGHLIGHTS

- Profit up by 31% to HK\$81 million
- Turnover surge 7% to HK\$448 million
- Profit margins continue to increase reaching a record high of 36%

The Board of Directors of Yixing Xinwei Holdings Limited (the "Company") announced the consolidated results of the Company and its subsidiaries (collectively known as the "Group") for the year ended 31 December 1999 together with the comparative amounts for the corresponding year in 1998 as follows:

	1999		1998	
Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover		447,845		419,482
Cost of sales		(287,088)		(301,920)
Gross profit		160,757		117,562
Distribution and Selling expenses		(10,004)		(9,295)
Administrative expenses		(30,745)		(14,861)
Other operating revenue		907		341
Profit from operations		120,915		93,747
Finance costs		(4,011)		(6,264)
Profit before taxation		116,904		87,483
Taxation	2	(32,745)		(22,632)
Profit after taxation		84,159		64,851
Minority interests		(2,992)		(2,851)
Profit attributable to shareholders		81,167		62,000
Dividends	3	18,401		17,462
Earnings per share				
Basic		16.8 cents		13.8 cents

Notes:

- Basis of presentation**
The companies within the Group underwent a reorganisation (the "Reorganisation") 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 Reorganisation involved the transfer of assets and liabilities (the "Transfer") of Companies owned and controlled by a director and the beneficial owner of a trust, the trust assets of which include the shares of the substantial shareholder of the Company. Following the Transfer, these companies were dissolved or became dormant.
The Reorganisation has been accounted for as a Reorganisation 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 both accounting years presented. In the opinion of the Directors, this basis of presentation can present more fairly the results of the Group as a whole.

- Taxation**
Taxation charges comprised:

	1999	1998
	HK\$'000	HK\$'000
PRC enterprise income tax		
- Current	37,798	28,869
- Financial refunds (note c)	(5,053)	(6,237)
	32,745	22,632

Notes:

- No provision for Hong Kong profits tax has been made as the Group had no assessable profits in Hong Kong during the two years.
 - Companies within the Group were subject to enterprise income tax in the People's Republic of China (the "PRC") at rates ranging from 24% to 33% on assessable profits. After the Reorganisation, a substantial portion of the operations of the Group are 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 and a full provision for PRC enterprise income tax was made for the year ended 31 December 1999.
 - 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 enterprise income tax paid by the Group. However, the Group no longer enjoys such refunds after the Reorganisation.
 - There was no material unprovided deferred taxation for the two years ended 31 December 1999 and 1998.
- Dividends**
The 1999 interim dividends of HK\$6,401,497 were declared to the then shareholders of the Group prior to the listing of the Company's shares on the Stock Exchange of Hong Kong Limited on 15 October 1999, which were paid as at 31 December 1999. The Directors also recommended the payment of a final dividend of HK\$0.02 per share for the year ended 31 December 1999 totaling HK\$12 million. During the year ended 31 December 1998, dividends of approximately HK\$17.5 million were paid to the then existing shareholders of the Group.

- Earnings per share**
The calculation of earnings per share for the year ended 31 December 1999 is based on profit attributable to shareholders of approximately HK\$81 million and the weighted average number of 482,876,712 (1998: 450,000,000) shares in issue during the year. In determining the weighted average number of shares in issue, a total of 450,000,000 shares issued on the establishment of the Company and on the Reorganisation of the Group were deemed to have been in issue since 1 January 1998. There is no diluted earnings per share since the Company has no dilutive potential ordinary shares.

- Transfer to and from reserves**
The movements in reserves during the year ended 31 December 1998 and 1999 were as follows:

	1999	1998
	HK\$'000	HK\$'000
Transfer from profit after taxation to:		
- Statutory surplus reserve (Note a)	8,462	6,161
- Statutory public welfare reserve (Note a)	1,378	3,080
Transfer from Statutory reserves to Capital reserve (Note b)	4,134	9,241

Notes:

- In accordance with relevant financial regulations of the PRC and articles of association of the companies within the Group, the Group is required to appropriate certain of their statutory net income (after offsetting any prior year losses) to the statutory reserves. Before the Reorganisation, the Group was required to appropriate 10% and 5% of their statutory net income (after offsetting any prior year losses) to the statutory surplus reserve and the statutory public welfare reserve respectively. The aggregate appropriations to these reserves before the Reorganisation were HK\$4.1 million (1998: HK\$9.2 million). After the Reorganisation in 1999, a 100% subsidiary of the Group incorporated in the PRC 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, an appropriation, pending the final approval of the Company's board of directors, in the amount of approximately HK\$5.7 million (1998: Nil) was made to that reserve.
- During the Reorganisation of the Group in 1999, the appropriations mentioned in (a) made by the Group up to the Reorganisation, in the amounts of HK\$4.1 million (1998: HK\$9.2 million) were capitalised as capital reserve of the Group.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Yixing Xinwei Holdings Limited (the "Company") for the year 2000 will be held at 3/F, Coral Room 1, Furama Hotel, One Connaught Road Central, Hong Kong on 19 May 2000 (Friday), at 10:00 a.m. to deal with the following matters:

- 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 1999.
- To declare a final dividend.
- To re-elect the retiring Directors and to authorize the Board of Directors of the Company (the "Board") to fix their fees.
- To re-appoint the retiring auditors, Messrs. Arthur Andersen & Co., and to authorize the Board to fix their remuneration.
- As special business, to consider and, if thought fit, pass the following resolutions as Ordinary Resolutions:

- "THAT:**
 - 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;
 - 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;
 - 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:—
 - a Rights Issue (as hereinafter defined);
 - any share option scheme of the Company; or
 - 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

- For the purpose of this Resolution: "Relevant Period" means the period from the passing of this resolution until whichever is the earlier of:
 - the conclusion of the next annual general meeting of the Company;
 - 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
 - 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)."

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Yixing Xinwei Holdings Limited (the "Company") will be held at 3/F, Coral Room 1, Furama Hotel, One Connaught Road Central, Hong Kong on 19 May 2000 (Friday), at 11:00 a.m. (or immediately after the closure of the Annual General Meeting of the Company convened at the same day) to consider and, if thought fit, pass the following Special Resolution: "THAT the name of the Company be changed to "China Rare Earth Holdings Limited 中國稀土控股有限公司" subject to the approval of the Registrars of the Cayman Islands and Hong Kong."

Hong Kong, 11 April 2000
Principal Place of Business:
Room 1301, Ruttonjee House, Ruttonjee Centre
11 Duddell Street, Central, Hong Kong

Notes:

- 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 EGM on his/her behalf. A proxy need not be a member of the Company.
- 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.

HIGHLIGHTS OF RESULTS

For the financial year ended 31 December 1999, the Group recorded a turnover of HK\$448 million, an increase of 7% over the previous year. Profit attributable to shareholders amounted to HK\$81 million, an increase of 31% when compared to the HK\$62 million achieved in 1998. The Group's profit margin reveals a significant increase to 36% against the profit margin of 28% recorded in 1998. Earnings per share was 16.8 cents for this year.

DIVIDENDS

The Board of Directors proposed to recommend at the forthcoming Annual General Meeting the payment of a final dividend of HK2 cents per share for the year ended 31 December 1999. This final dividend, if approved, will be paid on or before 27 May 2000 to the shareholders whose names are on the Register of Members on 19 May 2000.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 16 May 2000 to Friday, 19 May 2000 (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 to be held on Friday, 19 May 2000, all transfers 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 4:00p.m. on Monday, 15 May 2000.

BUSINESS REVIEW AND OUTLOOK

The Group began its rare earth business in 1987, commencing operations as a rare earth separating factory. It has grown rapidly to become a recognised rare earth and refractory manufacturer. The listing of the Company's shares on the Stock Exchange of Hong Kong Limited on 15 October 1999 has definitely been a milestone for the Group.

The Group has made every effort to provide the best rare earth and refractory material for customers, enhancing product quality to fit domestic and overseas customer requirements. The Group is also continuously exploring new markets to generate higher profit to the Group and increasing return to shareholders.

In the world today, rare earth products are widely used in many different high-tech industries, ranging from the manufacturing of high-tech electronic devices, computers, electronic motors, LCDs, DVDs, magnetic memory chips, fibre optics, superconductors and precision optics to the production of glass, energy efficient lighting, air purifiers, automotive parts, automated control systems and mobile phone batteries. The industrial applications for refractory products are widely used in heat-treatment facilities and the petrochemical, metallurgy, non-ferrous metallurgy, glass, chemical fertiliser and cement industries. These activities reflect the scale and scope of the markets for rare earth and refractory products, which will grow even broader as the high-tech industries continue to develop.

Management: Last year, the Group has appointed a number of renowned and experienced experts in managing rare earth and refractory enterprises including Mr Lou Ji Xiang and Mr Yu Zheng Ming. Prior to joining the Group, Mr Lou was the Deputy General Manager and Chief Engineer of Shanghai Yue Long Non-Ferrous Metals Limited whereas Mr Yu was the President and Chief Engineer of Zhujiang Rare Earth Refinery Factory. These experts will further strengthen the management capabilities and competitiveness of the Group, especially in cost control, quality management and development of new products.

Financial Status: The Group reported a turnover in 1999 of HK\$448 million, surging 7% in comparison to the turnover of HK\$419 million in 1998. Sales of rare earth products and fluorescent powders accounted for about HK\$304 million and refractory products accounted for about HK\$144 million. Profit rose to HK\$81 million, showing a significant increase when compared to the profit of HK\$62 million registered in 1998. The increase was due to effective cost controls, as well as improved production efficiencies and the production of higher value added products and increase in products prices. Profit margin increased significantly from 28% last year to 36% this year.

Production Capacity: The production capacity for rare earth was 3,500 tonnes (REO) and that for refractory products was 30,000 tonnes. Upon the completion of new production facilities, production capacity will increase further to 4,900 tonnes (REO) and 60,000 tonnes respectively.

Market Review: 60% of the Group's rare earth products were exported, with that to Japan accounting for 37%, the United States 20% and Europe and Korea 3%. 92% of refractory products were sold domestically to major steel mills and 8% were exported overseas.

Rare earth is the essential element for the industry of information technology. Dysprosium (Dy), Terbium (Tb), Neodymium (Nd) and Europium (Eu) are the four rare earth products that are widely used in computer monitors, computer electronic motors and magnetic memory chips. During the year, prices of these four products have increased about 30% when compared with last year. The production value of these product accounted for about half of the Group's total rare earth production value. As the high-tech industries continue to develop, the Group believes the production value would rise to 60% and other rare earth products' prices would also increase as well. This provides an enormous opportunity for the development of the Group.

Looking to the future, with the experience and dedication of its staff and the favourable position established by the Group in the market, the Group will be making every endeavour to fulfill its potential as a leader in the industry and maximize return to shareholders.

USE OF PROCEEDS

Currently, the Group's production facilities consist of a total gross floor area of approximately 58,000 sq.m. By the end of 31 December 1999, HK\$60 million of the net proceeds of the share offer is being allocated for construction of new production facilities and for the upgrading of existing production facilities for rare earth materials, and over HK\$30 million of which has been spent so far. The new production facilities, with a gross floor area of approximately 6,500 sq.m. will commence production in May 2000. This will increase production capacity by 40% to 4,900 tonnes (REO) in the second quarter of the 2000 fiscal year. 30% of the net proceeds of the share offer is being allocated for construction of new production facilities and for the upgrading of existing production facilities for refractory materials and the installation of a new production line for unshaped refractory materials. HK\$8 million has been spent on the upgrading which is on schedule.

CHANGE OF NAME

To reflect the Group's core business and attract customer attention worldwide, the directors of the Company proposed to change the name of the Company to "China Rare Earth Holdings Limited 中國稀土控股有限公司". The change of name is subject to the approval of the shareholders at an extraordinary general meeting to be held on 19 May 2000 immediately after the Annual General Meeting of the Company and the approval of the Registrars of Cayman Islands and Hong Kong. A notice of the extraordinary general meeting is appended below and the related form of proxy will be dispatched to the members together with the annual report.

AUDIT COMMITTEE

The Board of Directors established an Audit Committee on 29 September 1999 and has formulated its written terms of reference in accordance with the requirements of the Stock Exchange of Hong Kong Limited. The Audit Committee, which includes two independent non-executive Directors, is to review with management the accounting policies adopted by the Group and to discuss auditing and financial reporting matters.

PURCHASE, SALE OR REDEMPTION OF THE GROUP'S LISTED SECURITIES

There has been no purchase, sales or redemption of any of the Group's listed securities by the Group during this year.

YEAR 2000 COMPLIANCE

The Group has successfully made a smooth transition to the year 2000. All computer systems are Y2K compliant and are now functioning as normal.

On behalf of the Board
Jiang Quanlong
Chairman

Hong Kong, 11 April 2000

B. "THAT:

- 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 it is hereby generally and unconditionally approved;
- 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
- For the purpose of this Resolution: "Relevant Period" means the period from the passing of this resolution until whichever is the earlier of:
 - the conclusion of the next annual general meeting of the Company;
 - 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
 - the revocation or variation of the mandate granted under this resolution by ordinary resolution of the members in general meeting."

- "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, Desmond
Company Secretary

Hong Kong, 11 April 2000

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

Notes:

- 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.
- 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.
- The Register of Members of the Company will be closed from Tuesday, 16 May 2000 to Friday, 19 May 2000 (both days inclusive), during which period no transfer of the Company's shares will be effected.

By Order of the Board
LAW Lap Tak, Desmond
Company Secretary