



中國稀土控股有限公司
China Rare Earth Holdings Limited
(於開曼群島註冊成立之有限公司)
(Incorporated in the Cayman Islands with limited liability)



ANNUAL REPORT

2003 年報





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**董事****執行董事**

蔣泉龍先生(主席)
錢元英女士(副主席)
范亞軍先生

獨立非執行董事

劉余九先生
黃春華先生

註冊辦事處

Century Yard
Cricket Square
Hutchins Drive
George Town
Grand Cayman
British West Indies

總辦事處及主要營業地點

中國江蘇省
宜興市大浦鎮

香港營業地點

香港
中環夏慤道10號
和記大廈618室

公司秘書

羅納德先生

香港法律顧問

趙不渝 馬國強律師事務所

核數師

何錫麟會計師行，執業會計師

審計委員會

劉余九先生
黃春華先生

DIRECTORS**Executive Directors**

Mr Jiang Quanlong (*Chairman*)
Ms Qian Yuanying (*Deputy Chairman*)
Mr Fan Yajun

Independent Non-executive Directors

Mr Liu Yujiu
Mr Huang Chunhua

REGISTERED OFFICE

Century Yard
Cricket Square
Hutchins Drive
George Town
Grand Cayman
British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Dapu, Yixing
Jiangsu Province, PRC

PLACE OF BUSINESS IN HONG KONG

Room 618, Hutchison House
10 Harcourt Road, Central
Hong Kong

COMPANY SECRETARY

Mr Law Lap Tak

HONG KONG LEGAL ADVISERS

Chiu & Partners

AUDITORS

Ho and Ho & Company, Certified Public Accountants

AUDIT COMMITTEE

Mr Liu Yujiu
Mr Huang Chunhua

主要往來銀行

中國

中國銀行
中國工商銀行
中國建設銀行

香港

渣打銀行
中國銀行
南洋商業銀行

主要股份過戶登記處

Bank of Butterfield
International (Cayman) Limited
Butterfield House, Fort Street
P.O. Box 705, George Town
Grand Cayman
Cayman Islands

香港股份過戶登記分處

香港中央證券登記有限公司
香港
皇后大道東183號
合和中心17樓
1712-1716商舖

互聯網址

www.creh.com.hk

香港聯合交易所有限公司股份代號

769

公關顧問

縱橫財經公關顧問有限公司

PRINCIPAL BANKERS

PRC

Bank of China
Industrial & Commercial Bank of China
China Construction Bank

Hong Kong

Standard Chartered Bank
Bank of China
Nanyang Commercial Bank, Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Butterfield International (Cayman) Limited
Butterfield House, Fort Street
P.O. Box 705, George Town
Grand Cayman
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
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

PUBLIC RELATIONS CONSULTANT

Strategic Financial Relations Limited

TURNOVER 營業額

for the year ended 31 December
截至十二月三十一日止年度

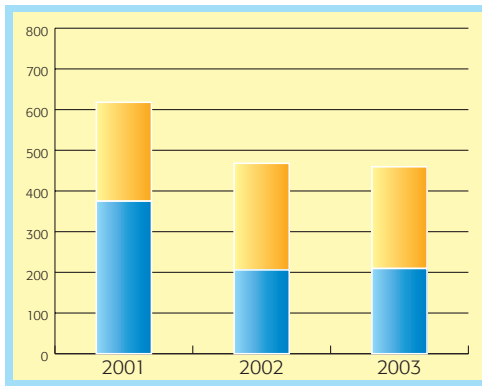
	HK\$'M 百萬港元	Change 變動
1999	448	
2000	558	25% ↑
2001	618	11% ↑
2002	468	24% ↓
2003	457	2% ↓

NET PROFIT 溢利淨額

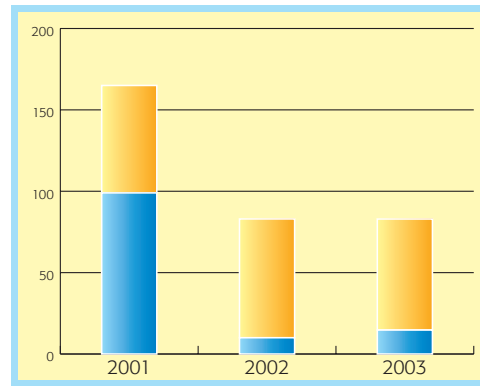
for the year ended 31 December
截至十二月三十一日止年度

	HK\$'M 百萬港元	Change 變動
1999	81	
2000	141	74% ↑
2001	142	1% ↑
2002	41	71% ↓
2003	67	62% ↑

Turnover 營業額

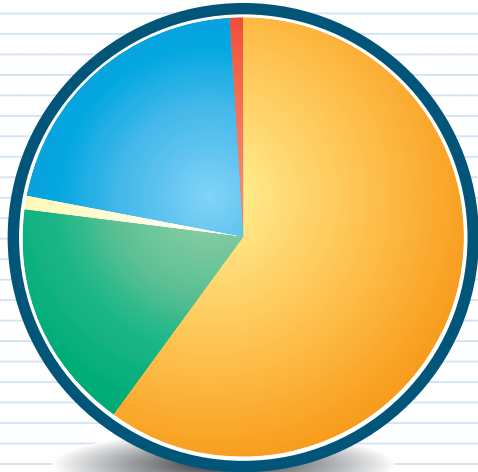


Segment results 分類業績



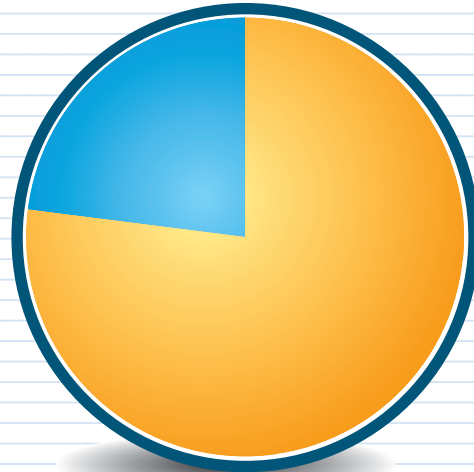
		2003		2002		2001	
		HK\$'M 百萬港元	%	HK\$'M 百萬港元	%	HK\$'M 百萬港元	%
Turnover 營業額							
	Rare Earth Products 稀土產品類	208	46%	206	44%	375	61%
	Refractory Products 耐火產品類	249	54%	262	56%	243	39%
Total 總額		457	100%	468	100%	618	100%
Segment results 分類業績							
	Rare Earth Products 稀土產品類	16	20%	10	12%	99	60%
	Refractory Products 耐火產品類	67	80%	73	88%	66	40%
Total 總額		83	100%	83	100%	165	100%

Rare Earth Products
稀土產品類



2003

Refractory Products
耐火產品類



2003

	Rare Earth Products 稀土產品類		Refractory Products 耐火產品類	
	2003 %	2002 %	2003 %	2002 %
Turnover 營業額				
The PRC 中國	60%	70%	77%	82%
Japan 日本	17%	13%	23%	18%
Europe 歐洲	21%	12%	–	–
The United States of America 美國	1%	3%	–	–
Others 其他	1%	2%	–	–
Total 總額	100%	100%	100%	100%

主席報告書

CHAIRMAN'S STATEMENT



蔣泉龍 - 集團主席
Jiang Quanlong - Chairman

致各位股東：

本人謹代表董事會向各位股東提呈中國稀土控股有限公司截至二零零三年十二月三十一日止之全年業績報告。

To Shareholders,

On behalf of the Board of Directors, I would like to present the annual results of China Rare Earth Holdings Limited for the year ended 31 December 2003.

二零零三年，承接著二零零二年不明朗的市場因素及同業競爭的影響，且世界經濟特別是美、日經濟復甦緩慢，導致稀土市場持續低迷狀況，價格更趨歷史最低水平，經營環境與二零零二年比較更為惡劣。然而隨著中國政府一系列相關政策的推行和落實，對稀土採礦、加工、銷售等各環節都得到了初步的整合，已關、停了部分稀土採礦和分離企業。稀土市場止跌回升的向好前景在二零零三年底已經逐步顯現。耐火材料業務方面，本集團依托著優良的生產條件及技術開發的基礎上保持了穩定的發展，有效平衡了稀土業務的不景氣對本集團所構成的影響。

Continuously affected by market uncertainties and industry competition, along with the slow economic recovery worldwide, especially in the US and Japan, the rare earth market plunged to new depths in 2003 with price levels dropping to historical lows, and showing an even more adverse business environment than that of 2002. To improve the market situation, the PRC government implemented a series of regulations within the industry. With initial integration of the mining, processing and sales supply chain, certain rare earth mining and separation enterprises were weeded out or suspended and a more positive outlook appeared on the horizon in late 2003 with a rebound in the rare earth market. The Group's refractory materials business remained, thanks to the Group's strength in production and technological development. This effectively offset the sluggish rare earth business environment experienced by the Group.

二零零三年，本集團經受了非典型肺炎疫情及市場競爭的嚴峻考驗，全體員工與董事會同心同德、克難求進、努力工作，因此能比其他同業取得較好的業績。

2003 was a tough and challenging year for the Group. The outbreak of Severe Acute Respiratory Syndrome ("SARS") and the keen market competition affected the Group's business performance. However, through the dedication and commitment of both the staff and the Board to overcome difficulties and continue its pursuit of excellence, the Group recorded relatively

better results as compared to its counterparts in the industry.

二零零三年十一月，本集團成功舉辦了《全國稀土功能材料研討會》，對稀土應用研究和開發起到促進作用。ISO14001環境認證的順利通過亦



對本集團的努力和成績取得了肯定。

In November 2003, the Group successfully organized "The National Seminar on the Rare Earth Functional Materials" which contributed to

the further study and development of rare earth applications. At the same time, it received ISO 14001 accreditation, affirming its commitment and dedication to quality and the environment.

財務業績

截至二零零三年十二月三十一日止財政年度，本集團錄得營業額457,077,000港元，與二零零二年的467,663,000港元比較輕微下調約2%。其中稀土業務約208,281,000港元，佔46%；耐火材料業務約248,796,000港元，佔54%。股東應佔溢利則由二零零二年的41,032,000港元上升至66,578,000港元。每股盈利亦由二零零二年的5.0港仙上升至8.2港仙。然而若撇除於二零零二年為令業務有更健康的增長而淘汰不合時宜的機器設備及對一部份因遷拆改建而報廢的資產作出撇賬的因素，二零零三年的股東應佔溢利則較二零零二年的下調約8%。此反映出二零零三年經營環境的困難。

FINANCIAL RESULTS

For the year ended 31 December 2003, the Group recorded a turnover of HK\$457,077,000, representing a slight drop of 2% as compared to HK\$467,663,000 in 2002. The rare earth business amounted to approximately HK\$208,281,000, contributing 46% of the total turnover, while the refractory materials business amounted to approximately HK\$248,796,000, representing 54% of total turnover. Profit attributable to shareholders increased to HK\$66,578,000 from HK\$41,032,000 in 2002. Earnings per share increased to HK8.2 cents from HK5.0 cents in 2002. However, excluding the write-off of obsolete machinery and equipment and the disposal of certain assets due to removals and renovations for healthier business growth in 2002, profit attributable to shareholders in 2003 decreased by approximately 8% compared to 2002, which reflected the difficult business environment experienced in 2003.

**股息**

董事會建議派發二零零三年度之末期股息每股2港仙。有關股息之釐定乃顧及年度上半年未有派付中期股息，故於此全年業績公佈時一併派付予股東。倘若股東於二零零四年六月四日舉行的股東週年大會中通過有關動議，末期股息將於二零零四年六月十六日或以前派發給於二零零四年六月四日登記冊上的股東。

本公司將於二零零四年六月一日至二零零四年六月四日，包括首尾兩天，暫停辦理股份過戶手續，期間將不會進行任何股份之過戶登記。如欲獲得建議之末期股息及出席股東週年大會，所有股份之過戶文件連同有關之股票須於二零零四年五月三十一日下午四時前送達本公司股份過戶處香港分處香港中央證券登記有限公司。

業務回顧**稀土**

稀土獲廣泛應用於新材料、新能源、環保、資訊、生物和國民經濟的各個領域；而稀土應用技術的開發和應用領域的拓展於近年持續增長。然而，由於全球經濟持續不明朗，市場需求增長未達預期，國內稀土同業間的激烈競爭，令稀土產品價格仍在低谷徘徊，影響延至二零零三年度下半年。

DIVIDEND

The Board has recommended the payment of a final dividend of HK 2 cents per share for 2003. The fact that no interim dividend was distributed has been taken into consideration in the determination of the final dividend. Subject to the approval of shareholders at the forthcoming Annual General Meeting to be held on 4 June 2004, the final dividend will be paid on or before 16 June 2004 to the registered shareholders as at 4 June 2004.

The register of members will be closed from 1 June to 4 June 2004, both days inclusive, during which period no transfer of shares will be registered. To qualify for entitlement of the proposed final dividend and to attend the Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, for registration not later than 4:00 p.m. on 31 May 2004.

BUSINESS REVIEW**Rare Earth**

Rare earth products are widely used in various sectors such as new materials, new energy, environmental protection, information, biology and the national economy. In fact, development and exploration of usage and applied techniques for rare earth have progressed substantially in recent years. However, the continuing uncertainty in the global economy, leading to slow growth in market demand, and the heavy competition in the rare earth industry have resulted in the price of rare earth products being maintained at extremely low levels, with this situation extending into the second half of 2003.

另一方面，國內稀土市場經過這幾年的重新整合，到二零零三年末，已經逐步關、停了部分稀土採礦和分離企業。中國政府相繼推行了從採礦、分離等保護稀土資源的政策和法規。雖然到二零零三年底稀土類產品價格未見整體上揚，但穩定和上升的趨勢已顯明朗，部分產品的價格在年底已有所上升，為行業帶來新氣象。

通過前兩年的生產工藝改造，本集團提高了稀土業務的市場應變能力，在繼續加強內部管理，控制生產成本的基礎上，緊跟市場需求的變化，繼續推行向稀土高附加值深加工方向發展的策略，將稀土市場的各種不利影響降至最低程度。

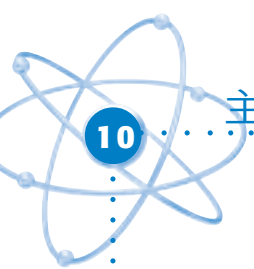
回顧年內，本集團共銷售稀土類產品約4,000噸，比二零零二年增長了近10%。稀土業務營業額約208,281,000港元，與二零零二年基本持平。銷售量增加而銷售額持平，反映出稀土類產品平均價格在二零零三年的下調。部分產品如氧化鈾、氧化釹、氧化鐳及氧化釷的售價均下降了約兩成。成本方面，主要原材料如氯化稀土及碳酸稀土的價格卻變化不多。但由於本集團在二零零二年於存貨上計提了較多撥備，致使二零零三年本集團在稀土業務的毛利率不跌反升，達10%。市場方面，二零零三年本集團稀土業務約60%內銷，另40%出口。歐洲市場的增長彌補了美國與日本市場的沉寂，成為出口比例最高的地區。

However, with the restructuring of the rare earth industry in the PRC in recent years, some rare earth mining and separation enterprises were weeded out at the end of 2003. At the same time, the PRC government implemented policies and regulations on the mining and separation industries to protect rare earth resources. Though the overall price level of rare earth products remained flat, a stable growth trend began to emerge while prices of some rare earth products started rising at the end of the year, creating a more prosperous atmosphere in the industry.

Through the modernization of its production skills in the past two years, the Group has strengthened its abilities to respond rapidly to market conditions. On the basis of the continuous improvement in internal management and cost controls, the Group has been able to follow closely the ever-changing market demands, and implement development strategies for high-end, value-added rare earth products thus minimizing the adverse effects in the market.

During the year, the Group sold about 4,000 tonnes of rare earth products, representing a 10% growth from 2002. Turnover for the rare earth business however, amounted to HK\$208,281,000, which is similar to 2002 levels. Despite the increase in sales volume, the turnover remained constant, reflecting the decrease in the average price of rare earth products in 2003. Prices for certain products, such as cerium oxide, neodymium oxide, dysprosium oxide and yttrium oxide, decreased by approximately 20%. In terms of costs however, the price of major raw materials, such as rare earth chloride and rare earth carbonate, showed no significant change. Since the Group had made relatively larger provisions for its inventory in 2002, the gross profit margin for the Group's rare earth business in 2003 did not fall; rather it surged to around 10%. The domestic and export sales of rare earth products were 60% and 40%, respectively. The growth in the European market compensated for the drop in the US and Japanese markets, to become the Group's major export market.





另一方面，本集團於回顧年內熒光粉的銷售量與二零零二年比較亦增長超過30%。價格方面，熒光粉雖然跟隨稀土氧化物的售價出現下調，但跌幅不超過5%，毛利率仍能維持20%以上。

耐火材料

耐火材料作為本集團的另一主要業務，在稀土市場持續低迷的幾年中，成為本集團的主要盈利來源。

於二零零三年，本集團加強了對耐火材料的研發力度，根據市場需求的變化，調整了產品品種結構，提升產品質量，完善生產工藝，在經營成果中得到了明顯的體現。然而，上半年的非典型肺炎疫情，對本集團運輸量大，勞動密集程度高的耐火材料業務造成了較大的影響，致使二零零三年上半年耐火材料業務的銷售量和銷售額較二零零二年同期分別下降了23%和20%。但通過本集團員工的努力，二零零三年全年在銷售量下降約15%的情況下，銷售額仍達248,796,000港元，只下降了5%。

回顧年內，本集團共售出耐火材料約47,000噸。雖然數量因非典型肺炎疫情而比二零零二年的55,000噸減少了，但本集團提高中高檔耐火材料所佔比例的策略緩和了銷售額的跌幅。如其中一款售價達每噸約一萬元的耐火材料，銷售量由二零零二年的460噸上升至二零零三年的3,430噸，增長超過六倍。另一方面，生產工藝的改善及技術含量的提高亦使毛利率回升至30%以上。

On a more positive note, the volume of fluorescent products sold by the Group during the year also increased by over 30% compared to that in 2002. Although the price of fluorescent products followed the price fall of rare earth oxide, the fall did not exceed 5%, and the gross profit margin was maintained at over 20%.

Refractory Materials

Refractory materials form another major business for the Group. It has also provided the Group's major income during the recession in the rare earth market in recent years.

In 2003, the Group strengthened its research and development for refractory materials business, adjusting the structure of its product categories, improving product quality and modernizing production skills in response to market demand, which have brought in fruitful results for the operation. However, the outbreak of SARS in the first half of the year created significant impact on the Group's refractory materials business, which involved both massive transportation and intensive labour. As such, the sales volume and amount of refractory materials business in the first half of 2003 decreased by 23% and 20% respectively, compared to the corresponding period in 2002. Through the dedication of staff however, the sales volume for the full year in 2003 decreased by only 15%, and turnover dropped slightly by 5% to HK\$248,796,000.

During the year, the Group sold about 47,000 tonnes of refractory materials, as compared to 55,000 tonnes in 2002. Although the sales volume decreased due to the outbreak of SARS, the Group's strategies to increase the proportion of medium to high-end refractory materials softened the drop in amount. For instance, sales of a kind of refractory materials which priced at around HK\$10,000 per tonne grew over six-fold from 460 tonnes in 2002 to 3,430 tonnes in 2003. Moreover, technological advancements in production, enhanced skills and improved techniques accounted for the rebound in the gross profit margin to over 30%.

市場方面，本集團於二零零三年已有約23%的耐火材料出口至海外市場，比二零零二年的18%又有所提升。出口地區除擴大原有的日本市場份額外，還新開發了韓國市場。本集團將繼續努力提升產品品質，開發國際市場，以減輕國內市場競爭激烈的壓力。

產品開發

經受了二零零三年的各種考驗，本集團仍然堅持技術和產品的研究和開發，加強和大專院校和科研機構的合作，在完善普通熒光粉的基礎上發展新的LED粉和PDP等離子顯示粉。另外，稀土氧化物深加工的拋光材料開發項目已漸趨成熟，預計能於二零零四年底前投入生產。耐火材料方面，緻密鋁磚和緻密鎢磚生產項目也已經落實，計劃在二零零四年第三季度啟動。

兼併收購

為拓展不同產品系列，本集團於二零零三年十二月簽訂了收購協議，以配發新股方式，以每股股份1.2港元發行172,500,000股代價股份購入Dynamic Goal Worldwide Inc. 及其附屬專營高溫陶瓷業務的無錫泛亞高溫陶瓷有限公司（「無錫泛亞」）。收購行動於二零零四年一月二十九日獲得本公司的股東於特別股東大會通過而完成。根據香港公認會計原則編製及經審核的財務報表顯示，無錫泛亞截至二零零三年十二月三十一日止年度之淨利潤達24,595,000港元，比收購協議列出的利潤保證條款23,000,000港元為高。高溫陶瓷業務將成為本集團於二零零四年業績的新增長點。

In 2003, approximately 23% of the Group's refractory materials were exported, representing further growth compared to 18% in 2002. The Group extended its market share in Japan, and successfully penetrated into the Korean market. The Group will also continue to enhance product quality and explore international markets to offset the tight competition in the PRC market.

PRODUCT DEVELOPMENT

Experiencing various challenges in 2003, the Group remains focus on the research and development of techniques and products, enhancing its co-operation with universities and research institutes to develop brand new LED powders and PDP powders. Additionally, the development of polishing powder materials, which is a value-added product of rare earth oxide, has been fine-tuned, such that operation is estimated to commence by late 2004. In the refractory materials business, the productions of highly densified zircon and highly densified chrome bricks have been scheduled to commence production in the third quarter of 2004.

MERGER AND ACQUISITION

To broaden its product categories, the Group entered into an acquisition agreement (the "Acquisition Agreement") in December 2003 whereby 172,500,000 shares were allotted and issued at a price of HK\$1.2 per share as consideration for the acquisition of Dynamic Goal Worldwide Inc. and its subsidiary, Wuxi Pan-Asia High Temperature Ceramics Co., Ltd. ("Wuxi Pan-Asia"), which is involved in the high temperature ceramics business. The acquisition was completed, with the approval of shareholders of the Company at the extraordinary general meeting held on 29 January 2004. As shown in the audited financial statements which prepared in accordance with the accounting principles generally accepted in Hong Kong, the net profit of Wuxi Pan-Asia for the year ended 31 December 2003 amounted to HK\$24,595,000, which was higher than the guaranteed net profit of HK\$23,000,000 specified in the Acquisition Agreement. The Group expects the high temperature ceramics business to become a new growth driver in 2004.



環境保護

本集團一直注重對環境的保護，在積極拓展業務的同時，亦不斷提升環保監測管理水平。於二零零三年十月，本集團憑著高規格的环境保護標準，獲頒授ISO14001認證，表示本集團的環境管理體系已被肯定。這亦加強了本集團的企業形象。

**ENVIRONMENTAL PROTECTION**

The Group is fully committed to environmental protection. While continuing to extend the business, the Group also aims to enhance its environmental protection standards. In October 2003, the Group obtained ISO14001 certification for its high quality and detailed environmental protection standards. The accreditation testifies to the integrity of the Group's environmental management system, which in turn plays a major role in raising the Group's corporate image.

流動資金及財務資源

於二零零三年十二月三十一日，本集團持有現金及銀行存款約254,262,000港元而並無未償還長期負債。流動資產淨額增加至620,781,000港元。總負債對總資產比率仍維持於約7%。

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2003, the Group had cash and bank balances of approximately HK\$254,262,000 with nil long-term liability. Net current assets increased to HK\$620,781,000. The total liabilities to total assets ratio has been maintained at approximately 7%.

匯率風險

本集團大部份之資產、負債及交易均以人民幣、美元及港元列值。鑑於人民幣、美元及港元之匯率於年內相對穩定，故本集團並無面臨重大的外匯風險。

EXCHANGE RATE EXPOSURE

Most of the Group's assets, liabilities and transactions are denominated either in Renminbi, US dollars and Hong Kong dollars. As the exchange rates of the Renminbi, US dollars and Hong Kong dollars were relatively stable during the year, the Group was not exposed to material foreign exchange risk.

資產抵押

於年內，本集團具有若干銀行融資作貿易融資。該貿易融資是以一筆不少於已提用融資金額的銀行存款作第一抵押擔保。由於在二零零三年十二月三十一日並無提用任何融資金額，故本集團之資產並無抵押。

CHARGE ON ASSETS

During the year, the Group had certain banking facilities for trade finance. The trade finance facilities are secured by a first charge over deposits held with a bank in an amount not less than the utilized facility amount. As none of the facilities was utilized as at 31 December 2003, there was no charge on assets of the Group.

或然負債

於二零零三年十二月三十一日，本集團並無重大或然負債。

僱員及薪酬

於二零零三年十二月三十一日，本集團僱用員工約1,050人，為員工提供完善的薪酬及福利制度。根據市場需要，本集團一直按照管理、技術、生產、銷售的需求，引進和培訓專業人員，令各員工可在崗位上發揮所長。

於年內，僱員成本扣除董事酬金後合計約為15,010,000港元。此外，本集團亦設有購股權計劃，以激勵合資格員工。然而為了增加購股權計劃的靈活性，董事會建議重新訂立購股權計劃。

展望

稀土

踏入二零零四年，全球經濟逐步造好，令本集團的業務逐漸改善。稀土應用範圍及使用量的不斷提升，加上中國政府對稀土礦源開採實施嚴格控制，並組建南北稀土集團以改善供求失衡的現象，使稀土價格由低位回升。從二零零四年一月起，中國政府取消了部份稀土產品的出口退稅政策，但稀土產品的價格上升幅度，將超出退稅部分，因此對本集團的稀土業務不會造成影響。預期稀土的全年平均價格將會持續上升。市場趨勢顯示，應用於永磁材料如氧化釹及氧化鐳的價格於未來將持續增長。

CONTINGENT LIABILITIES

As at 31 December 2003, the Group had no material contingent liabilities.

STAFF AND REMUNERATION

As at 31 December 2003, the Group had a workforce of approximately 1,050 staff. Comprehensive remuneration and welfare packages are offered to them. Keeping abreast of market needs, the Group continues to employ and train professionals in management, production skills, operation and sales, enabling staff to develop their full potential in exercising their job responsibilities.

During the year, approximately HK\$15,010,000 was incurred in staff costs excluding directors' emoluments. The Group has also adopted a share option scheme as part of the benefits package to reward qualified staff. To enhance the flexibility, the Board has recommended re-establishing the share option scheme.

PROSPECTS

Rare Earth

Entering 2004, the gradual recovery of the global economy is leading to a substantial improvement in the Group's business. The continuing increase in the usage and consumption of rare earth products, along with the PRC government's stringent control in the mining of rare earth resources and the establishment of Southern and Northern Rare Earth Entities to soften the disequilibrium of demand and supply of rare earth materials, has resulted in a recovery in the prices of rare earth products from their previous low levels. As from 1 January 2004, the PRC government terminated certain export tax rebates, but as the price increment in rare earth products surpassed the tax rebate amount, there has been no significant impact on the Group's rare earth business. The annual average price of rare earth is expected to rise steadily. Market trend indicates that prices of those applied in magnetic materials such as neodymium oxide and dysprosium oxide will continue to grow in the future.

另一方面，於二零零四年三月初在杭州召開的《全國稀土三基色燈用熒光粉市場座談會》亦協調了熒光粉市場價格的提升，防範無序競爭及提倡技術和質量競爭。本集團將繼續收集和瞭解稀土技術及市場發展，利用稀土分離的優勢，與有關研究機構和大專院校緊密合作，發展稀土氧化物的深加工產品。LED粉、PDP等離子顯示粉和拋光材料將相繼推出。

耐火材料

耐火材料業務近年的市場需求平穩，但競爭却很激烈，本集團根據市場情勢的變化，逐步減少競爭殘酷的低端產品的生產，充分利用本集團資金、設備、技術上的優勢，擴大中高檔耐火材料及新型材料的生產。新產品緻密鋁磚及緻密鉻磚的生產技術已經成熟，計劃在二零零四年內實施該項目。

而在產品種類的開拓上，新收購的高溫陶瓷業務可使本集團從現有專注於冶金建材和石油化工的耐火材料伸延至電力行業，擴闊本集團的市場發展空間。

除新增的高溫陶瓷業務外，本集團的耐火材料業務亦隨著應用產業的發展而不斷提升。為配合未來的市場發展需要，本集團將增加於生產設備的投資，引入先進自動



At the same time, the "National Forum on the Market of Trichromatic Phosphors" held in Hangzhou in March 2004 dealt with the growth of market prices of fluorescent products, preventing disordered competition and encouraging positive competition in skills and quality. The Group will continue to explore and enhance its development techniques in the rare earth market, leveraging on its competitive edge in the separation of rare earth products to co-operate with respective research institutes and universities for the development of value-added products for rare earth oxides. Additionally, new LED powders, PDP powders and polishing powder materials will be launched gradually in the market.

Refractory Materials

Although the market demand for refractory products has remained steady in recent years, competition has been very keen. Keeping abreast of market development, the Group will gradually decrease the production of low-end products in the keenly competitive market. However, leveraging on the Group's competitive edge with regard to capital, production facilities and advanced techniques, the Group has expanded the production of its middle to high-end refractory products and new materials. Production skills for new products such as highly densified zircon bricks and highly densified chrome bricks have become mature and the projects are scheduled for implementation in 2004.

The newly acquired high temperature ceramics business has broadened the Group's product categories and its room for business development, allowing it to stretch its market reach

from the metallurgy, construction, petroleum, and chemical industries to the electrical industry.

In addition to penetration in the new high temperature ceramics business, the Group's refractory materials business continues to grow,

化壓機，以提高產品質量，並繼續增加中高檔耐火材料的生產比重，研發更多新產品，以提升本集團耐火材料產品的市場競爭能力。在鞏固現有國外客戶的基礎上，本集團將繼續積極拓展國際市場，以保持出口銷售份額的持續增長。

此外，本集團將繼續研究加強與耐火材料原料供應基地合作的方案，務求令原材料的供應及成本控制更具效益。

致謝

我們能有今天的成績，實有賴員工們多年來不懈的努力和對本集團所作出的貢獻，以及得到各股東、投資者、客戶、供應商及業務夥伴一直以來對本集團的信賴與支持。在此，本人謹代表董事會及管理層向彼等致以最衷心的謝意。

主席
蔣泉龍

二零零四年四月十五日

aligning it with the development of the application industries. To meet future market demand, the Group is also increasing its investment in production facilities with the introduction of advanced automatic bonding machines to improve product quality. The Group will also continue to increase the proportion of middle to high-end refractory material products and to research and develop more new products to enhance the market competitiveness of the Group's refractory materials. In addition to strengthening business relationships with existing overseas customers, the Group will proactively explore international markets to maintain substantial growth in its export sales.

The Group will continue to study ways to strengthen its cooperation with raw material suppliers of refractory materials, to ensure the cost-effectiveness of raw material supplies and cost controls.

APPRECIATION

Our success is a direct result of the dedication and contribution made by our staff over the years, and the trust and support of our shareholders, investors, customers, suppliers and business partners. On behalf of the Board and the management, I would like to extend my gratitude to all.

Jiang Quanlong
Chairman

15 April 2004

董事及高級管理人員簡介

DIRECTORS AND SENIOR MANAGEMENT PROFILE



執行董事

蔣泉龍先生，51歲，本集團創辦人及主席。蔣先生在稀土及耐火材料行業擁有逾二十年經驗。蔣先生負責制訂本集團整體業務發展政策及監督集團日常運作。於創辦本集團之前，蔣先生曾擔任某耐火材料製造廠的經理及某玻璃陶瓷製造公司的營業經理。蔣先生為本集團副主席錢元英女士之丈夫。

錢元英女士，44歲，本集團創辦人及副主席，兼為本集團行政總裁。錢女士在稀土及耐火材料行業方面擁有逾十年經驗。錢女士協助主席進行本集團整體管理工作及專責本集團業務的市場推廣工作。於創辦本集團之前，錢女士曾任職學校教師。錢女士為本集團主席蔣先生之妻子。

范亞軍先生，36歲，於一九八八年加入本集團。范先生主要負責本集團整體行政工作及運作。

EXECUTIVE DIRECTORS

Mr Jiang Quanlong, aged 51, is a founding member and the chairman of the Group. Mr Jiang has over 20 years of experience in the rare earth and refractory materials industries. Mr Jiang is responsible for the formulation of the Group's overall business development policies and oversees the daily operations of the Group. Prior to the founding of the Group, Mr Jiang had been a factory manager of a refractory materials production plant and a sales manager of a glass and ceramics manufacturing company. Mr Jiang is the husband of Ms Qian Yuanying, the deputy chairman of the Group.

Ms Qian Yuanying, aged 44, is a founding member and the deputy chairman of the Group. Ms Qian is also the chief executive officer of the Group. Ms Qian has over 10 years of experience in the rare earth and refractory materials industries. Ms Qian assists the chairman in the overall management of the Group and has particular responsibility for the marketing aspect of the Group's business. Prior to the founding of the Group, Ms Qian was a high school teacher. Ms Qian is the wife of Mr Jiang, the chairman of the Group.

Mr Fan Yajun, aged 36, joined the Group in 1988. Mr Fan is mainly responsible for the overall administration operation of the Group.

獨立非執行董事

劉余九先生，70歲，自一九九九年擔任本集團之獨立非執行董事。劉先生為國家計委稀土專家組應用開發組組長及中國稀土學會常務理事。劉先生亦為中國稀土學報副主編。劉先生生於一九九二年十二月至一九九七年十二月期間擔任為中國稀土開發公司總工程師。

黃春華先生，39歲，自二零零一年起擔任本集團之獨立非執行董事。黃先生是本港一家上市公司的執行董事兼財務總監，黃先生擁有英國斯特克萊大學工商管理學碩士和市場學博士學位，歷任匯豐證券(亞洲)中國分析員和里昂證券公司中國研究部高級投資分析員。

公司秘書

羅納德先生，34歲，於一九九九年加入本集團，為本公司財務總監及公司秘書。羅先生畢業於香港並取得工商管理學士學位，為香港會計師公會及英國特許公認會計師公會會員。羅先生原任職於某大會計師行，擁有逾七年經驗。

高級管理層

樓吉翔先生，52歲，於二零零零年加入本集團，現為本集團副總經理，主管稀土及熒光材料的新產品開發和新課題研究。樓先生原是一家著名稀土廠的副總經理，在稀土和有色金屬行業擁有逾二十年的經驗。

蔣才南先生，45歲，於一九八六年加入本集團，現為本集團副總經理，兼為宜興新威利成耐火材料有限公司總經理，主管耐火材料業務之運作。蔣先生在耐火材料行業擁有逾二十年的豐富經驗。

許盤鳳女士，39歲，於一九八七年加入本集團，現為本集團副總經理，主管稀土業務之銷售。許女士在稀土產品的生產和營銷上擁有豐富的工作經驗。

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr Liu Yujiu, aged 70, joined the Group in 1999 as an independent non-executive director. Mr Liu is the head of the Rare-Earth Experts Group, Applications and Development Section under the State Planning Commission. Mr Liu is also the executive of China Rare Earth Science Society and deputy editor-in-chief of China Rare Earth Journal. Mr Liu was appointed as chief engineer of China Rare Earth Development Corporation for the period from December 1992 to December 1997.

Mr Huang Chunhua, aged 39, joined the Group in 2001 as an independent non-executive director of the Company. Mr Huang is the executive director and financial controller of a listed company in Hong Kong. Mr Huang is Ph.D of Marketing and MBA of University of Strathclyde. Mr Huang was previously a senior investment analyst, China Research of CLSA Emerging Markets and China analyst of HSBC Securities Asia Ltd.

COMPANY SECRETARY

Mr Law Lap Tak, aged 34, joined the Group in 1999. Mr Law is the financial controller and company secretary of the Company. Mr Law graduated in Hong Kong with a degree of bachelor of business administration. Mr Law is a member of The Hong Kong Society of Accountants and The Association of Chartered Certified Accountants. Prior to joining the Group, Mr Law was with an international accounting firm in Hong Kong for over 7 years.

SENIOR MANAGEMENT

Mr Lou Jixiang, aged 52, joined the Group in 2000. Mr Lou is the deputy general manager of the Group. Mr Lou is responsible for the research and development of rare earth and fluorescent materials business. Prior to joining the Group, Mr Lou was the deputy general manager of a renowned rare earth factory. Mr Lou has over 20 years of experience in the rare earth and non-ferrous metals industries.

Mr Jiang Caina, aged 45, joined the Group in 1986. Mr Jiang is the deputy general manager of the Group and the general manager of Yixing Xinwei Refractory Materials Company Limited. Mr Jiang is responsible for the operation of the refractory material business. Mr Jiang has over 20 years of experience in refractory materials industry.

Ms Xu Panfeng, aged 39, joined the Group in 1987. Ms Xu is the deputy general manager of the Group and is responsible for the sales of rare earth business. Ms Xu has years of experience in production and marketing of rare earth industry.

俞正明先生，68歲，自一九九九年加入本集團，擔任宜興新威利成稀土有限公司的總工程師兼技術顧問。俞先生原是一家著名稀土廠的廠長及總工程師，是稀土及有色金屬行業的資深專家。

徐建文先生，35歲，於一九八八年加入本集團，現任宜興新威利成稀土有限公司總經理，主管稀土業務之運作。徐先生在稀土行業擁有逾十年的生產管理經驗。

吳朝新先生，27歲，於一九九七年加入本集團，現任無錫新威熒光材料有限公司總經理，主管熒光材料業務之運作。吳先生在稀土及熒光材料的營銷及行政管理上擁有多年經驗。

王建平先生，42歲，於二零零四年加入本集團，現任無錫泛亞高溫陶瓷有限公司總經理，主管高溫陶瓷業務之運作。王先生在行政管理及營銷方面擁有逾十年的經驗。

趙建文先生，37歲，於一九八七年加入本集團。現任宜興新威利成稀土有限公司技術部主管。趙先生在稀土行業擁有逾十年的經驗。

陳良平先生，56歲，於一九九五年加入本集團。現任宜興新威利成耐火材料有限公司副總經理。陳先生在耐火材料行業擁有多年經驗。

桑原禮次郎先生，61歲，於二零零一年加入本集團，出任宜興新威利成耐火材料有限公司總工程師，桑原先生原是日本一家著名跨國公司海外事業部技術總監，擁有非常豐富的耐火材料生產與管理經驗。

Mr Yu Zhengming, aged 68, joined the Group in 1999. Mr Yu is the chief engineer and technical consultant of Yixing Xinwei Leeshing Rare Earth Company Limited. Prior to joining the Group, Mr Yu was the factory general manager and chief engineer of a renowned rare earth factory. Mr Yu is an expert in rare earth and non-ferrous metals industries.

Mr Xu Jianwen, aged 35, joined the Group in 1988. Mr Xu is the general manager of Yixing Xinwei Leeshing Rare Earth Company Limited and is responsible for the operation of rare earth business. Mr Xu has over 10 years of experience in production management of rare earth industry.

Mr Wu Chaoxin, aged 27, joined the Group in 1997. Mr Wu is the general manager of Wuxi Xinwei Fluorescent Materials Company Limited and is responsible for the operation of the fluorescent materials business. Mr Wu has years of experience in sales and administrative management of rare earth and fluorescent materials industries.

Mr Wang Jianping, aged 42, joined the Group in 2004. Mr Wang is the general manager of Wuxi Pan-Asia High Temperature Ceramics Co., Ltd. and is responsible for the operation of the high temperature ceramics business. Mr Wang has over 10 years of experiences in administrative management and sales aspects.

Mr Zhao Jianwen, aged 37, joined the Group in 1987. Mr Zhao is the head of technology department of Yixing Xinwei Leeshing Rare Earth Company Limited. Mr Zhao has over 10 years of experience in rare earth industry.

Mr Chen Liangping, aged 56, joined the Group in 1995. Mr Chen is the deputy general manager of Yixing Xinwei Leeshing Refractory Materials Company Limited. Mr Chen has years of experience in refractory materials industry.

Mr Reijiro Kuwahara, aged 61, joined the Group in 2001. He is the chief engineer of Yixing Xinwei Leeshing Refractory Materials Company Limited. Prior to joining the Group, he was the technical supervisor of Overseas Division of a famous international company in Japan and has years of experience in production and management of refractory materials.

董事會同寅欣然呈報中國稀土控股有限公司（「本公司」）及其附屬公司（統稱為「本集團」）截至二零零三年十二月三十一日止年度的年報及經審核財務報表。

主要業務

本公司的主要業務為投資控股。本集團的主要業務為稀土產品及耐火材料產品之製造及銷售。

附屬公司的主要業務載於財務報表附註15。

分類資料

本集團分類資料的詳情載於財務報表附註4。

業績及分派

本集團於截至二零零三年十二月三十一日止年度的業績載於本年報第30頁的綜合損益表內。

年內未有派發中期股息。董事會現建議派發截至二零零三年十二月三十一日止年度的末期股息每股2港仙予於二零零四年六月四日名列股東名冊的股東。

其他分派詳情載於財務報表附註21。

儲備

本集團及本公司於年內的儲備變動及本公司可供派發之儲備的詳情載於財務報表附註21。

財務資料概要

本集團於截至二零零三年十二月三十一日止過去五個財政年度的業績概要載於本年報第71頁。

The directors have pleasure in presenting the annual report and the audited financial statements of China Rare Earth Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2003.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group are manufacturing and sales of rare earth products and refractory products.

The principal activities of the subsidiaries are set out in Note 15 to the financial statements.

SEGMENTAL INFORMATION

Details of segmental information of the Group are set out in Note 4 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2003 are set out in the consolidated income statement on page 30 of the annual report.

No interim dividend was declared and paid to the shareholders during the year. The directors recommend the payment of a final dividend of HK 2 cents per share for the year ended 31 December 2003 to the shareholders on the Register of Members on 4 June 2004.

Details of other appropriation are set out in Note 21 to the financial statements.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year and details of the distributable reserve of the Company are set out in Note 21 to the financial statements.

FINANCIAL SUMMARY

A summary of the results of the Group for the past five financial years ended 31 December 2003 is set out on page 71 of the annual report.

物業、廠房及設備以及在建工程

本集團及本公司於年內的物業、廠房及設備以及在建工程的變動詳情載於財務報表附註14。

股本

本公司於二零零三年十二月三十一日的法定及已發行股本詳情載於財務報表附註20。

借貸

本集團的銀行借貸及銀行融資詳情載於財務報表附註22。

退休金計劃

本集團的退休金計劃詳情載於財務報表附註10。

董事

年內及直至本報告刊發日期之本公司的董事為：

執行董事

蔣泉龍先生(主席)

錢元英女士(副主席)

范亞軍先生

杜小梅女士(於二零零三年七月二日退任)

應玉明先生(於二零零三年一月二日獲委任
及於二零零三年四月二十九日
退任)

獨立非執行董事

劉余九先生

黃春華先生

根據本公司的公司細則第108條，黃春華先生將於即將舉行的股東週年大會上輪值退任，惟合資格並願意膺選連任。

PROPERTY, PLANT AND EQUIPMENT AND CONSTRUCTION-IN-PROGRESS

Details of the movements in the property, plant and equipment and construction-in-progress of the Group and the Company during the year are set out in Note 14 to the financial statements.

SHARE CAPITAL

Details of the authorised and issued share capital of the Company as at 31 December 2003 are set out in Note 20 to the financial statements.

BORROWINGS

Details of the bank borrowings and banking facilities of the Group are set out in Note 22 to the financial statements.

RETIREMENT SCHEMES

Details of the retirement schemes of the Group are set out in Note 10 to the financial statements.

DIRECTORS

The directors of the Company during the year and up to the date of this report are:

Executive directors

Mr. Jiang Quanlong (*Chairman*)

Ms. Qian Yuanying (*Deputy Chairman*)

Mr. Fan Yajun

Ms. To Siu Mui, Annie (resigned on 2 July 2003)

Mr. Ying Yuming (appointed on 2 January 2003 and
resigned on 29 April 2003)

Independent non-executive directors

Mr. Liu Yujiu

Mr. Huang Chunhua

In accordance with Article 108 of the Company's Articles of Association, Mr. Huang Chunhua will retire by rotation from the Board at the forthcoming annual general meeting and being eligible, offer himself for re-election.

於二零零三年十二月三十一日，概無董事與本公司訂立不可由本公司於一年內終止而毋須支付法定賠償以外的賠償的服務合約。

As at 31 December 2003, none of the directors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

董事權益及淡倉

於二零零三年十二月三十一日，本公司依據「證券及期貨條例」第352條而存置之登記冊內所載，或依據上市公司董事進行證券交易的準則而通知本公司及香港聯合交易所有限公司之本公司董事及行政總裁於本公司及其相聯公司（按「證券及期貨條例」的定義）之股份，相關股份及債券的權益及淡倉如下：

DIRECTORS' INTERESTS AND SHORT POSITIONS

As at 31 December 2003, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) as recorded in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

1. 於本公司股份權益

1. Interests in shares of the Company

董事 Director	權益性質／身份 Nature of interest/Capacity	股份數目 Number of shares	佔本公司已發行股本的百分比 % to the issued share capital of the Company
蔣泉龍 Jiang Quanlong	配偶之權益 (附註) Interest of spouse (Note)	420,050,000	51.57%
錢元英 Qian Yuanying	信託基金之受益人 (附註) Beneficiary of a trust (Note)	420,050,000	51.57%
黃春華 Huang Chunhua	實益擁有人 Beneficial owner	2,868,000	0.35%

附註：

該等股份乃透過YY Holdings Limited持有，其全部已發行股本由YY Trust的受託人YYT Limited所持有，而受益人為蔣泉龍先生的配偶錢元英女士及其子女全資擁有的公司。

Note:

These shares are held through YY Holdings Limited, the entire issued share capital of which is held by YYT 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 children.

2. 於相聯公司股份、相關股份或股本權益

(a) 新威稀土集團(香港)有限公司

董事 Director	身份 Capacity	已發行股份數目 Number of issued shares
蔣泉龍 Jiang Quanlong	實益擁有人 Beneficial owner	無投票權遞延股份 7,000,000 股 7,000,000 non-voting deferred shares
錢元英 Qian Yuanying	實益擁有人 Beneficial owner	無投票權遞延股份 3,000,000 股 3,000,000 non-voting deferred shares

(b) 宜興新威利成稀土有限公司

董事 Director	權益性質 Nature of interest	股本權益 Equity interests
蔣泉龍 Jiang Quanlong	受控公司之權益(附註) Interests of a controlled corporation (Note)	5%

(c) YY Holdings Limited

董事 Director	身份 Capacity	已發行股份數目 Number of issued shares
錢元英 Qian Yuanying	信託基金之受益人 Beneficiary of a trust	普通股份 1 股 1 ordinary share
錢元英 Qian Yuanying	信託基金之受益人 Beneficiary of a trust	優先股份 25,000 股 25,000 preference shares

附註：

該等權益乃透過宜興新威集團有限公司持有。該中國企業由蔣泉龍先生擁有 90% 權益，餘下的 10% 權益由其子持有。蔣先生亦為該企業的法定代表人。

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

(a) Xinwei Rare Earth Group (Hong Kong) Limited

(b) Yixing Xinwei Leeshing Rare Earth Company Limited

(c) YY Holdings Limited

Note:

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

3. 於本公司相關股份權益

董事 Director	身份 Capacity	按授出購股權	
		可發行股份數目 Number of shares issuable under options granted	佔本公司已發行 股本的百分比 % to the issued share capital of the Company
范亞軍 Fan Yajun	實益擁有人 Beneficial owner	5,000,000	0.61%

購股權授予上述董事的細節於下文「購股權計劃」披露。

3. Interests in underlying shares of the Company

Details of the options granted to the above directors were disclosed in "Share Option Scheme" below.

除上述披露外，於二零零三年十二月三十一日，根據「證券及期貨條例」第352條所存置之登記冊內所載，概無本公司董事或行政總裁於本公司及其相聯公司之股份、相關股份及債券持有或被視為持有任何權益或淡倉。

Save as disclosed above, as at 31 December 2003, none of the directors or chief executive of the Company 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.

購股權計劃

於一九九九年十月十四日，購股權計劃已被採納。其主要條款如下：

SHARE OPTION SCHEME

On 14 October 1999, a share option scheme (the "Share Option Scheme") was adopted and the major terms of which are as follows:

- (i) 參與者包括本集團的全日制員工及執行董事。
- (ii) 按購股權計劃，可予發行的總股份數目為60,000,000股，約佔本報告刊發日期本公司已發行股本的6%。
- (iii) 可向一名參與者授出之購股權所涉及之股份數目，連同根據購股權計劃向同一參與者授出之任何購股權所已發行及可發行之股份，不可超過根據購股權計劃最多可發行股份之25%。
- (iv) 授出購股權之可行使日期可由董事會釐定，但不可於由授出日期後十年結束。

- (i) The participants included any full time employee and executive director of the Group.
- (ii) Under the Share Option Scheme, the total number of shares available for issue is 60,000,000 which represents approximately 6% of the issued share capital of the Company as at the date of this report.
- (iii) The maximum number of shares in respect of which options may be granted to a participant, when aggregated with shares issued and issuable under any option granted to the same participant under the Share Option Scheme, must not exceed 25% of the maximum number of shares issuable under the Share Option Scheme from time to time.
- (iv) The exercisable period of an option granted may be determined by the directors and which should not expire later than 10 years from the date of grant.

(v) 任何授出購股權之建議可由參與者於授出日起21日內以付出代價1港元接納。

(vi) 行使價可由董事會釐定，但不可少於緊接授出日前五個交易日股份於香港聯合交易所有限公司之平均收市價80%及股份面價兩者中之較高者。

(vii) 購股權計劃之有效期從一九九九年十月十四日，即購股權計劃採納日起計為期十年。

於二零零三年一月二十三日，若干董事及員工按購股權計劃被授出該等購股權。

於年內按購股權計劃被授予之購股權之變動如下：

(v) Any offer for the grant of an option may be accepted by the participant within 21 days from the date of grant with a consideration of HK\$1 paid.

(vi) The exercise price may be determined by the directors and it should be not less than the higher of 80% of the average of the closing price of the shares on The Stock Exchange of Hong Kong Limited on the five trading days immediately before the date of grant and the nominal value of the share.

(vii) The Share Option Scheme will be remained in force for a period of 10 years from 14 October 1999, the date of the Share Option Scheme adopted.

On 23 January 2003, certain directors and employees have been granted options under the Share Option Scheme.

The movement of the options granted under the Share Option Scheme during the year were as follows:

被授人 Grantee	授出日期 Date of grant	行使價 Exercise price	購股權數目 Number of options			於二零零三年 十二月三十一日 持有 Held at 31 December 2003
			於二零零三年 一月一日持有 Held at 1 January 2003	於年內授出 Granted during the year	於年內失效 Lapsed during the year	
董事 <i>Directors</i>						
范亞軍 Fan Yajun	二零零三年一月二十三日 23 January 2003	1.10港元 HK\$1.10	-	5,000,000	-	5,000,000
杜小梅 To Siu Mui	二零零三年一月二十三日 23 January 2003	1.10港元 HK\$1.10	-	1,500,000	1,500,000	-
應玉明 Ying Yuming	二零零三年一月二十三日 23 January 2003	1.10港元 HK\$1.10	-	5,000,000	5,000,000	-
員工 <i>Employees</i>						
合計 In aggregate	二零零三年一月二十三日 23 January 2003	1.10港元 HK\$1.10	-	1,500,000	-	1,500,000

緊隨購股權被授出日前本公司股份之收市價為1.10港元。

授出之購股權之可行使期為二零零三年一月二十七日至二零一三年一月二十六日，唯授出之購股權之50%不可於二零零四年一月二十七日前行使。

授出之購股權直至其被行使前不會於財務報表內被確認。董事會認為由於評估購股權價值之若干關鍵因素未能準確釐定而不適宜就年內授出之購股權披露其價值。基於多項推測假設的購股權評估值將為無意義及可能對股東造成誤導。

除上述披露外，年內本公司或其附屬公司概無參與任何能夠使本公司之任何董事或行政總裁或其配偶或未滿十八歲之子女藉購入本公司或任何其他法人團體之股份或債券而獲得利益之任何安排。

主要股東權益及淡倉

據董事會所知，於二零零三年十二月三十一日，本公司依據「證券及期貨條例」第336條而存置之登記冊內所載，除本公司董事或行政總裁以外的股東持有本公司的股份及相關股份的權益及淡倉如下：

1. 全部已發行股本由YY Trust的受託人YYT Limited所持有而受益人為蔣泉龍先生的配偶錢元英女士及其子女全資擁有的公司YY Holdings Limited以實益擁有人身份持有本公司股份420,050,000股，約佔本公司已發行股份的51.57%。
2. YY Trust的受託人YYT Limited被視為持有其所擁有全部已發行股份的YY Holdings Limited所持有的本公司股份420,050,000股的權益。
3. Martin Currie China Hedge Fund Limited以投資經理身份持有本公司股份43,836,000股，約佔本公司已發行股份的5.38%。

The closing price of the Company's shares immediately before the date on which the options were granted was HK\$1.10.

The options granted are exercisable between 27 January 2003 to 26 January 2013, provided that 50% of the options granted shall not be exercised prior to 27 January 2004.

The options granted are not recognised in the financial statements until they are exercised. The directors consider that it is not appropriate to disclose the value of options granted during the year as a number of factors crucial for the valuation cannot be determined accurately. Any valuation of the options based on various speculative assumptions would be meaningless and misleading to the shareholders.

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement, which enables any of the directors or chief executive of the Company or their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

So far as is known to the directors, as at 31 December 2003, the interests and short positions of shareholders, other than the directors or chief executive 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 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 children, was holding 420,050,000 shares of the Company, representing approximately 51.57% of the issued share capital of the Company as beneficial owner.
2. YYT Limited, the trustee of YY Trust, was deemed to be interested in 420,050,000 shares of the Company held by YY Holdings Limited the entire issued share capital of which is held by YYT Limited.
3. Martin Currie China Hedge Fund Limited was holding 43,836,000 shares of the Company, representing approximately 5.38% of the issued share capital of the Company as investment manager.

除上述披露外，於二零零三年十二月三十一日，根據「證券及期貨條例」第336條所存置之登記冊內所載，除本公司董事或行政總裁以外，概無其他人士通知本公司於本公司之股份或相關股份持有任何權益或淡倉。

董事於合約的權益

年內，本集團毋須支付代價而使用蔣泉龍先生持有90%權益的中國企業宜興新威集團有限公司的出口配額以安排其產品出口至中國以外地方。透過這項安排而處理的出口銷售約為1,746,000港元。

年內，本集團向蔣泉龍先生租用兩個辦公室單位作為銷售及市場推廣辦公室。年內，就該等租約所支付的經營性租賃合約租金合共約204,000港元。

年內，本集團向一間由錢元英女士擁有權益的公司無錫泛亞高溫陶瓷有限公司支付約941,000港元，作為於截至二零零三年十二月三十一日止年度使用其廠房作為熒光材料生產廠房的代價。此外，本集團於年內向該公司銷售約180,000港元的材料。

除上述及於財務報表附註25(b)披露外，於結算日或年內任何時間各董事概無於本公司或其任何附屬公司訂立與其業務有關的任何重大合約中擁有直接或間接的實際權益。

管理合約

年內概無訂立或存在任何對本集團全部或重大部份之業務與管理及行政有關之合約。

購買、出售或贖回本公司的上市證券

本集團於本年度內概無購買、出售或贖回任何本公司之上市證券。

Save as disclosed above, no other party, other than the directors or chief executive of the Company, had notified the Company that he 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 31 December 2003.

DIRECTORS' INTERESTS IN CONTRACTS

During the year, the Group arranged export sales of its products outside the PRC using the export quota of Yixing Xinwei Group Co., Ltd., a PRC domestic enterprise 90% owned by Mr Jiang Quanlong, at nil consideration. Export sales handled through this arrangement amounted to approximately HK\$1,746,000.

During the year, the Group leased two office premises from Mr. Jiang Quanlong for use as its sales and marketing office. During the year, the total operating lease rentals paid in respect of these leases amounted to approximately HK\$204,000.

During the year, the Group paid approximately HK\$941,000 as a compensation to Wuxi Pan-Asia High Temperature Ceramics Co., Ltd., a company in which Ms. Qian Yuanying has beneficial interests, for the use of a plant as its production plant for fluorescent materials for the year ended 31 December 2003. In addition, the Group sold materials to that company amounting to approximately HK\$180,000 during the year.

Save as disclosed above and in Note 25(b) to the financial statements, no director had a beneficial interest, either direct or indirect, in any contract of significance to which the Company or any of its subsidiaries was a party at the balance sheet date or at any time during the year.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed during the year.

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.

主要客戶及供應商

年內，本集團最大五名客戶的銷售額合共佔本集團總銷售額約44%，而本集團最大客戶的銷售額則約佔13%。年內，本集團最大五名供應商的採購額合共佔本集團總採購額約53%，而本集團最大供應商的採購額則約佔21%。

據各董事所知，各董事、彼等的聯繫人及擁有本公司5%以上已發行股本的任何股東概無於本集團五大客戶或供應商的股本中擁有任何權益。

優先購股權

根據本公司之公司組織章程及細則及開曼群島之法例，本公司並無對於發行新股設立任何優先購股權之規定。

最佳應用守則

除委任非執行董事之延續並無訂明任期外，本公司於二零零三年十二月三十一日止年度內全期已遵守香港聯合交易所有限公司證券上市規則附錄14所載的最佳應用守則。

本公司於本年內全期已按最佳應用守則維持審核委員會，成員包括本公司兩位獨立非執行董事劉余九先生及黃春華先生。

核數師

由一九九九年始作為本公司核數師的安達信公司於二零零二年退任而安永會計師事務所獲委任為本公司核數師。安永會計師事務所於二零零三年三月十二日退任而畢馬威會計師事務所獲委任為本公司核數師。畢馬威會計師事務所於二零零三年四月十七日退任而何錫麟會計師行於二零零三年五月五日獲委任為本公司核數師。

何錫麟會計師行任滿告退，惟合資格並願意膺選連任。本公司於即將舉行的股東週年大會上將提呈續聘何錫麟會計師行為本公司核數師的決議案。

承董事會命

主席
蔣泉龍

香港，二零零四年四月十五日

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers represented approximately 44% of the Group's total sales and the sales attributable to the Group's largest customer was approximately 13%. The aggregate purchases attributable to the Group's five largest suppliers during the year represented approximately 53% of the Group's total purchases and the purchases attributable to the Group's largest supplier was approximately 21%.

None of the directors, their associates or any shareholders which to the knowledge of the directors own more than 5% of the Company's issued share capital has any interest in the share capital of any of the five largest customers or suppliers of the Group.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Memorandum and Articles of Association and the Cayman Islands Companies Law in relation to the issue of new shares by the Company.

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 throughout the year ended 31 December 2003, except that the appointments of non-executive directors have been renewed without a specific term.

The Company had an audit committee with written terms of reference in compliance with the Code of Best Practice throughout the year. The audit committee comprises the two independent non-executive directors of the Company, Messrs. Liu Yujiu and Huang Chunhua.

AUDITORS

In 2002, Messrs. Arthur Andersen & Co., who acted as auditors of the Company since 1999, resigned and Messrs. Ernst & Young were appointed as auditors of the Company. Messrs. Ernst & Young resigned on 12 March 2003 and Messrs. KPMG were appointed as auditors of the Company. Messrs. KPMG resigned on 17 April 2003 and Messrs. Ho and Ho & Company were appointed on 5 May 2003 as auditors of the Company.

Messrs. Ho And Ho & Company retire and, being eligible, offer themselves for re-appointment. A resolution to reappoint Messrs. Ho and Ho & Company as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Jiang Quanlong
Chairman

Hong Kong, 15 April 2004



何錫麟會計師行
執業會計師
香港皇后大道西2-12號
聯發商業中心304室

HO AND HO & COMPANY
Certified Public Accountants
Room 304, Arion Commercial Centre,
2-12 Queen's Road West,
Hong Kong

致中國稀土控股有限公司各股東
(於開曼群島註冊成立之有限公司)

To the shareholders of
China Rare Earth Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

本核數師已將刊於第30頁至第70頁內根據香港公認會計原則編製之財務報表審核完竣。

We have audited the financial statements on pages 30 to 70 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

董事及核數師的責任

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

貴公司董事須負責編製真實而公正的財務報表。在編製該等財務報表時，董事必須貫徹採用合適的會計政策。

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

本核數師的責任是根據審核工作的結果，對該等財務報表作出獨立意見，並僅向整體股東報告，除此之外本報告別無其他目的。我們不會就本報告的內容向任何其他人士負上或承擔任何責任。

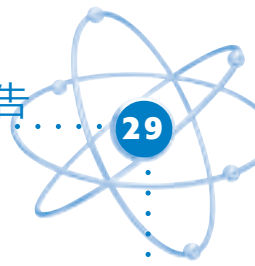
It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the content of this report.

意見的基礎

BASIS OF OPINION

本核數師乃按照香港會計師公會所發出的核數準則進行審核工作。審核工作範圍包括以抽查方式審查與財務報表內所載各數額及披露事項有關的憑證，並包括評估董事於編製該等財務報表時所作出的重大估計和判斷，及衡量究竟其所釐定的會計政策是否適合貴公司及貴集團的具體情況，以及有否貫徹地被運用及充分地予以披露。

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.



本核數師計劃及進行審核工作時，均以取得一切認為必須的資料及解釋為目標，使能為本核數師提供充份的憑證，就該等財務報表是否存在重要的錯誤陳述，作出合理的確定。於作出意見時，本核數師亦已衡量該等財務報表內所載的資料在整體上是否足夠。本核數師相信我們的審核工作已為核數意見建立合理的基礎。

意見

本核數師認為上述的財務報表均真實而公正地反映 貴公司及 貴集團於二零零三年十二月三十一日的財政狀況及截至該日止年度 貴集團的溢利和現金流量，並根據香港公司條例之披露要求而妥善編製。

何錫麟會計師行
執業會計師

香港，二零零四年四月十五日

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2003 and of its profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ho and Ho & Company
Certified Public Accountants

Hong Kong, 15 April 2004

截至二零零三年十二月三十一日止年度
For the year ended 31 December 2003

			二零零三年 2003	二零零二年 2002
		附註 Notes	千港元 HK\$'000	千港元 HK\$'000
營業額	Turnover	(5)	457,077	467,663
銷售成本	Cost of sales		(345,042)	(363,610)
毛利	Gross profit		112,035	104,053
利息收入	Interest income	(6)	3,414	4,438
銷售及分銷費用	Selling and distribution expenses		(14,206)	(13,364)
行政費用	Administrative expenses		(25,975)	(18,148)
經營溢利	Profit from operations	(7)	75,268	76,979
財務成本	Finance costs	(8)	(97)	–
其他收入／(費用)淨額	Other income/(expenses), net		1,114	(28,064)
除稅前溢利	Profit before taxation		76,285	48,915
稅項	Taxation	(11)	(9,246)	(8,593)
除少數股東權益前溢利	Profit before minority interests		67,039	40,322
少數股東權益	Minority interests		(461)	710
本年度溢利淨額	Net profit for the year		66,578	41,032
股息	Dividends	(12)	19,739	16,289
每股盈利	Earnings per share	(13)	8.2 cents仙	5.0 cents仙

綜合資產負債表

CONSOLIDATED BALANCE SHEET

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於二零零三年十二月三十一日
As at 31 December 2003

			二零零三年 2003	二零零二年 2002
		附註 Notes	千港元 HK\$'000	千港元 HK\$'000
非流動資產	Non-current assets			
物業、廠房及設備 以及在建工程	Property, plant and equipment and construction-in-progress	(14)	391,898	353,216
流動資產	Current assets			
存貨	Inventories	(16)	204,299	187,031
應收賬款及其他應收款	Accounts and other receivables	(17)	138,280	126,809
預付款項、按金及 其他流動資產	Prepayments, deposits and other current assets		102,291	28,215
應收關聯公司款項	Amounts due from related companies	(25a)	46	–
預交稅項	Tax recoverable	(11)	–	864
現金及銀行結存	Cash and bank balances	(18)	254,262	332,915
			699,178	675,834
流動負債	Current liabilities			
應付賬款	Accounts payable	(19)	43,255	51,375
預提費用及其他應付款	Accruals and other payables		21,296	19,566
應付董事款項	Amounts due to directors	(25c)	8,436	4,137
應付關聯公司款項	Amounts due to related companies	(25a)	46	105
應付稅項	Tax payable	(11)	5,364	83
			78,397	75,266
流動資產淨額	Net current assets		620,781	600,568
資產總額減流動負債	Total assets less current liabilities		1,012,679	953,784
少數股東權益	Minority interests		(15,820)	(15,359)
			996,859	938,425
資本及儲備	Capital and reserves			
股本	Share capital	(20)	81,445	81,445
儲備	Reserves	(21)	915,414	856,980
			996,859	938,425

載於第30至70頁的財務報表於二零零四年四月十五日獲董事會批准及授權公佈，並由下列董事代表簽署：

The financial statements on pages 30 to 70 were approved and authorised for issue by the Board of Directors on 15 April 2004 and are signed on its behalf by:

蔣泉龍
董事

錢元英
董事

Jiang Quanlong
Director

Qian Yuanying
Director

資產負債表

BALANCE SHEET

於二零零三年十二月三十一日
As at 31 December 2003

			二零零三年 2003 千港元 HK\$'000	二零零二年 2002 千港元 HK\$'000
		附註 Notes		
非流動資產	Non-current assets			
物業、廠房及設備 以及在建工程	Property, plant and equipment and construction-in-progress	(14)	162	256
附屬公司權益	Interests in subsidiaries	(15)	640,850	631,440
			641,012	631,696
流動資產	Current assets			
預付款項、按金及 其他流動資產	Prepayments, deposits and other current assets		684	670
現金及銀行結存	Cash and bank balances		3,156	11,868
			3,840	12,538
流動負債	Current liabilities			
預提費用及其他應付款	Accruals and other payables		1,182	1,741
應付董事款項	Amounts due to directors	(25c)	6,492	4,847
			7,674	6,588
流動(負債)/資產淨額	Net current (liabilities)/assets		(3,834)	5,950
			637,178	637,646
資本及儲備	Capital and reserves			
股本	Share capital	(20)	81,445	81,445
儲備	Reserves	(21)	555,733	556,201
			637,178	637,646

載於第30至70頁的財務報表於二零零四年四月十五日獲董事會批准及授權公佈，並由下列董事代表簽署：

The financial statements on pages 30 to 70 were approved and authorised for issue by the Board of Directors on 15 April 2004 and are signed on its behalf by:

蔣泉龍
董事

錢元英
董事

Jiang Quanlong
Director

Qian Yuanying
Director

綜合權益變動表

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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截至二零零三年十二月三十一日止年度
For the year ended 31 December 2003

		股本	股份溢價	資本儲備	法定儲備	股息儲備	外匯兌換 儲備	累計溢利	總額
		Share capital	Share premium	Capital reserve	Statutory reserves	Dividend reserve	Exchange translation reserve	Accumulated profits	Total
		千港元 HK\$'000	千港元 HK\$'000	千港元 HK\$'000	千港元 HK\$'000	千港元 HK\$'000	千港元 HK\$'000	千港元 HK\$'000	千港元 HK\$'000
於二零零二年 一月一日	At 1 January 2002								
— 原先所列	— as originally stated	81,445	412,485	32,837	26,968	—	3,498	364,495	921,728
— 於資產負債表 日後宣佈的 建議末期股息	— proposed final dividend declared after the balance sheet date	—	—	—	—	16,289	—	(16,289)	—
— 經重列	— as restated	81,445	412,485	32,837	26,968	16,289	3,498	348,206	921,728
本年度溢利淨額	Net profit for the year	—	—	—	—	—	—	41,032	41,032
轉往法定 儲備	Appropriations to statutory reserves	—	—	—	14,716	—	—	(14,716)	—
撥出之股息 (附註12)	Dividends set aside (Note 12)	—	—	—	—	16,289	—	(16,289)	—
已付股息	Dividends paid								
— 二零零一年 末期股息	— for 2001 final dividend	—	—	—	—	(16,289)	—	—	(16,289)
— 二零零二年 中期股息	— for 2002 interim dividend	—	—	—	—	(8,145)	—	—	(8,145)
中國附屬公司 財務報表 換算	Translation of PRC subsidiaries' financial statements	—	—	—	—	—	99	—	99
於二零零二年 十二月三十一日 及二零零三年 一月一日	At 31 December 2002 and 1 January 2003	81,445	412,485	32,837	41,684	8,144	3,597	358,233	938,425
本年度溢利淨額	Net profit for the year	—	—	—	—	—	—	66,578	66,578
轉往法定 儲備	Appropriations to statutory reserves	—	—	—	4,890	—	—	(4,890)	—
撥出之股息 (附註12)	Dividends set aside (Note 12)	—	—	—	—	19,739	—	(19,739)	—
已付二零零二年 末期股息	Dividends paid for 2002 final dividend	—	—	—	—	(8,144)	—	—	(8,144)
於二零零三年 十二月三十一日	At 31 December 2003	81,445	412,485	32,837	46,574	19,739	3,597	400,182	996,859

截至二零零三年十二月三十一日止年度
For the year ended 31 December 2003

		二零零三年 2003 千港元 HK\$'000	二零零二年 2002 千港元 HK\$'000
經營活動	Operating activities		
除稅前溢利	Profit before taxation	76,285	48,915
調整項目：	Adjustments for:		
利息支出	Interest expenses	97	—
利息收入	Interest income	(3,414)	(4,438)
物業、廠房及設備 之重估虧絀	Deficit on revaluation of property, plant and equipment	—	1,844
物業、廠房及 設備折舊	Depreciation on property, plant and equipment	35,929	33,125
物業、廠房及設備 以及在建工程之 撇銷虧損	Loss on written off of property, plant and equipment and construction-in-progress	94	31,638
處置物業、廠房及 設備之虧損／(收益)	Loss/(gain) on disposal of property, plant and equipment	42	(831)
存貨撥備	Provision for inventories	30	5,108
存貨撇銷	Written off of inventories	56	16,574
撥回應收賬款及 其他應收款的 呆壞賬撥備	Written back of provision for bad and doubtful debts on accounts and other receivables	—	(3,505)
應收賬款及其他應收款 的呆壞賬撥備	Provision for bad and doubtful debts on accounts and other receivables	160	—
營運資金變動前的 經營現金流量	Operating cash flows before movements in working capital	109,279	128,430
存貨增加	Increase in inventories	(17,354)	(43,174)
應收賬款及其他應收款增加	Increase in accounts and other receivables	(11,631)	(4,443)
預付款項、按金及其他 流動資產(增加)／減少	(Increase)/decrease in prepayments, deposits and other current assets	(2,460)	28,874
應收關聯公司款項 (增加)／減少	(Increase)/decrease in amounts due from related companies	(46)	1,463
應付賬款(減少)／增加	(Decrease)/increase in accounts payable	(8,120)	29,213
預提費用及包括應付中國 增值稅的其他應付款 增加／(減少)	Increase/(decrease) in accruals and other payables, including PRC VAT payable	4,745	(21,508)
應付董事款項增加／ (減少)	Increase/(decrease) in amounts due to directors	4,299	(9,769)
應付關聯公司款項減少	Decrease in amounts due to related companies	(59)	(1,751)
已付企業所得稅	Enterprise Income Tax paid	(6,116)	(9,457)
經營活動所得的現金淨額	Net cash generated from operating activities	72,537	97,878

綜合現金流量表

CONSOLIDATED CASH FLOW STATEMENT

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截至二零零三年十二月三十一日止年度
For the year ended 31 December 2003

		二零零三年 2003 千港元 HK\$'000	二零零二年 2002 千港元 HK\$'000
投資活動	Investing activities		
購置物業、廠房及設備 以及在建工程支出	Purchase of property, plant and equipment and expenditure on construction-in-progress	(74,747)	(114,205)
購置物業、廠房及設備 以及在建工程的預付款 及按金增加	Increase in prepayment and deposits paid for purchases of property, plant and equipment and construction-in-progress	(71,616)	(333)
處置物業、廠房及設備 以及在建工程所得款	Proceeds from disposal of property, plant and equipment and construction-in-progress	–	20,455
關聯公司退還 預付附屬公司 投資款項	Refund from a related company in respect of the prepayment for an investment in a subsidiary	–	100,000
已抵押存款減少	Decrease in pledged deposits	–	1,081
已收利息	Interest received	3,414	4,438
投資活動(使用)/所得的 現金淨額	Net cash (used in)/generated from investing activities	(142,949)	11,436
融資活動	Financing activities		
已付股息	Dividends paid	(8,144)	(24,434)
已付利息	Interest paid	(97)	–
融資活動使用的現金淨額	Net cash used in financing activities	(8,241)	(24,434)
現金及現金等值項目 (減少)/增加淨額	Net (decrease)/increase in cash and cash equivalents	(78,653)	84,880
年初現金及現金 等值項目	Cash and cash equivalents at beginning of the year	332,915	247,936
外匯兌換率變動之影響	Effect of changes in exchange rate	–	99
年末現金及現金等值 項目結存分析	Analysis of the balances of cash and cash equivalents at end of the year		
現金及銀行結存	Cash and bank balances	254,262	332,915

截至二零零三年十二月三十一日止年度
For the year ended 31 December 2003

1. 一般資料

本公司於開曼群島註冊成立為一間獲豁免的有限責任公司，其股份於香港聯合交易所有限公司上市。

本集團從事製造及銷售稀土產品、耐火產品及熒光產品。

2. 採納會計實務準則／會計政策變動

於本年度，本集團首次採納下列由香港會計師公會頒佈之香港財務報表準則，香港財務報表準則包括所有會計實務準則及香港會計師公會認可之詮釋：

所得稅

於本年度，本集團已採納會計實務準則第12號(經修訂)「所得稅」。實施會計實務準則第12號(經修訂)之影響主要與遞延稅項有關。以往年度內，遞延稅項乃按損益表負債法作出部份撥備，即除預期不會於可見將來回撥之時差外，所產生之時差均會確認為負債。會計實務準則第12號(經修訂)規定採用資產負債表負債法，即就財務報表中資產負債之賬面值與計算應課稅溢利所用相應稅基間之所有暫時差額確認為遞延稅項(除極少數情況例外)。基於會計實務準則第12號(經修訂)並無任何特定過渡安排之規定，新會計政策以追溯方式應用。採用此會計實務準則對本年或過往會計年度之業績並無重大影響，因此毋須作前期調整。

1. GENERAL

The Company is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited.

The Group is engaged in the manufacture and sales of rare earth products, refractory products and fluorescent products.

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE/CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has adopted, for the first time, the following Hong Kong Financial Reporting Standard ("HKFRS") issued by the Hong Kong Society of Accountants ("HKSA"), the term of HKFRS is inclusive of Statements of Standard Accounting Practice ("SSAP") and Interpretations approved by the HKSA:

Income taxes

In the current year, the Group has adopted, SSAP 12 (Revised) "Income Taxes". The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. The adoption of this SSAP had no material effect on the results for the current or prior accounting years. Accordingly, no prior year adjustment has been required.

3. 主要會計政策

本財務報表是按歷史成本慣例法及根據香港公認會計原則編製，所採用之主要會計政策載於下文：

(a) 綜合賬目之基準

本綜合財務報表包括本公司及其附屬公司每年結算至十二月三十一日止的財務報表。

本年度購入或出售附屬公司的業績，視乎情況按其收購生效日起或迄至其出售生效日止（如適用），而計入綜合損益表內。

所有集團內各公司間的重要交易及結餘均於編製綜合賬目時抵銷。

(b) 物業、廠房及設備

物業、廠房及設備乃按其成本值或估值減累計折舊、攤銷及減值虧損列賬。

某些樓宇乃按照其於重估日期時之當時用途之公平價值減隨後之累計折舊於資產負債表列賬。由於定期進行物業重估，賬面值與資產負債表日所釐定之公平值沒有重大差異。

3. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are set out below:

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

(b) Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less accumulated depreciation, amortisation and impairment losses.

Certain buildings are stated in the balance sheet at their revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent impairment losses. Revaluation is performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

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3. 主要會計政策 (續)

(b) 物業、廠房及設備 (續)

重估樓宇時出現之任何盈餘款額會撥入資產重估儲備，除重估盈餘款額與過往曾因同樣資產重估減值列於開支相抵外，則應將盈餘款額其中相等於該項資產曾從損益表中扣除的虧絀款額撥回損益表。因重估資產而減少之賬面淨額當作開支處理，而以減值款額不超過過往因重估該項資產之重估儲備結餘為限。於隨後出售或報廢已重估的資產時，相關的重估盈餘將撥至累計溢利。

物業、廠房及設備的折舊及攤銷乃根據以下年折舊率按其由全面運作之日期起估計其可供使用之年數並計及其估計餘值，以直線法攤銷其成本值或估值：

樓宇	5%
機器及設備	10%
辦公室設備及裝置	20%
汽車	20%

出售或棄用物業、廠房及設備項目所產生之收益或虧損是由出售所得收入與資產賬面數額之差額所釐定，並計入損益表內。

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(b) Property, plant and equipment (Continued)

Any revaluation increase arising from revaluation of buildings is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising from revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated profits.

Depreciation and amortisation is provided to write off the cost or valuation of items of property, plant and equipment, over their estimated useful lives and after taking into account their estimated residual values, using the straight-line method, at the following rates per annum:

Buildings	5%
Machinery and equipment	10%
Office equipment and fixtures	20%
Motor vehicles	20%

The gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

3. 主要會計政策(續)

(c) 在建工程

在建工程是指施工中的廠房及物業，並按成本值減累計減值虧損列賬。成本值包括建造成本、廠房及設備成本，以及其他直接成本。於建造完工時，已準備作其擬定用途的在建工程之相關成本則轉入為物業、廠房及設備的適當類別。

尚未完成及未可作其擬定用途之在建工程概無計提折舊或攤銷。

(d) 附屬公司投資

附屬公司投資乃按成本值減任何已辨認的減值虧損列入本公司之資產負債表內。

(e) 減值

本集團於各個結算日檢討其資產之賬面值，以確定該等資產是否存在減值虧損之跡象。倘估計一項資產之可收回價值低於其賬面值，則將該資產之賬面值撇減至其可收回價值。減值虧損即時確認為費用。

當減值虧損隨後撥回時，則將該項資產之賬面值增加至其修訂後的估計可收回價值，但增加後之賬面值不得超過過往年度若未確認減值虧損時所確定之賬面值。減值虧損撥回即時確認為收入。

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(c) Construction-in-progress

Construction-in-progress represents plant and properties under construction and is stated at cost less accumulated impairment losses. This includes cost of construction, plant and equipment and other direct costs. Upon completion of construction, the relevant costs are transferred to appropriate categories of property, plant and equipment when they are ready for their intended use.

No depreciation or amortisation is provided on construction-in-progress until the asset is completed and put into use.

(d) Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

(e) Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as expense immediately.

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss is recognised as income immediately.

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3. 主要會計政策 (續)

(f) 存貨

存貨乃按成本值及可變現淨值孰低者列賬。成本值是以加權平均法計算。

(g) 撥備

倘因過去發生的事項而導致企業現時須承擔債務(不論法定或推斷)，並且極有可能(即發生的可能性較大)導致可帶來經濟效益的資源流出以償還債務。同時亦能對該債務的款額作出可靠的估計，即須作出撥備。撥備會於每個資產負債表結算日檢討，並就當時最可靠的估計作調整。倘金額的時間價值為重要因素，則以預期償還債務所需支出的現值撥備。

(h) 應收賬款及其他應收款

應收賬款及其他應收款乃按成本值就呆壞賬準備作調整後列賬。

(i) 經營租賃

經營租賃下的應付租金以直線法按有關租賃年期於損益表中扣除。

(j) 收入確認

(i) 貨品銷售

貨品銷售乃於貨品交付及擁有權轉移至客戶後確認為收入。

(ii) 利息收入

利息收入乃按未清還的本金，以適用的利率按時間比例計算。

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

(g) Provisions

Provision is recognised when an enterprise has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made on the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of provision is the present value of the expenditure expected to be required to settle the obligation.

(h) Accounts and other receivables

Accounts and other receivables are stated at cost, after provision for bad and doubtful debts.

(i) Operating leases

Rental payables under operating leases are charged to the income statement on a straight-line basis over the relevant lease terms.

(j) Revenue recognition

(i) Sales of goods

Sales of goods are recognised when goods are delivered and title has passed to the customers.

(ii) Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

3. 主要會計政策(續)

(k) 稅項

入息稅開支指現時應付稅項及遞延稅項總額。

現時應付稅項乃按年度應課稅溢利計算。應課稅溢利不包括已撥往其他年度的應課稅或應扣減之收入及開支項目，亦不包括從未課稅或可扣稅之損益表項目，故與損益表所呈報的純利不同。

遞延稅項指預期從財務報表內資產及負債賬面值與計算應課稅溢利所採用相應稅基之差額所應付或可收回之稅項，以資產負債表負債法處理。遞延稅項負債一般就所有應課稅暫時差額確認，遞延稅項資產則於可能出現可利用暫時差額作對銷應課稅溢利時予以確認。如暫時差額由商譽(或負商譽)或由初次確認一項不影響稅項溢利或會計溢利之交易之其他資產及負責(業務合併除外)所產生，有關資產及負債則不會確認。

遞延稅項負債於附屬公司之投資所產生應課稅暫時差額予以確認，除非本集團有能力控制暫時差額還原，而暫時差額很可能不會於可預見將來還原。

遞延稅項資產之賬面值乃於各個結算日進行檢討，並予以相應扣減，直至並無足夠應課稅溢利可供全部或部分遞延稅項資產可予應用為止。

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(k) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising from investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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3. 主要會計政策 (續)

(k) 稅項 (續)

遞延稅項按預期適用於負債清償或資產變現年度之稅率計算。遞延稅項從損益表扣除或計入損益表，除非遞延稅項關乎直接從股本扣除或直接計入股本之項目。在該情況下遞延稅項亦於股本中處理。

根據中國頒佈的有關稅法，本集團屬下所有在中國成立的公司必須繳納增值稅，此項主要間接稅在銷售貨品及提供若干具體服務時徵收（稱為「銷項增值稅」）。銷項增值稅隨同銷售所得款項向客戶收取及按銷售價之17%或13%計算。本集團應付的增值稅淨額相當於銷項增值稅減購買貨品及某些指定服務時支付的增值稅（稱為「進項增值稅」）。

(l) 退休福利成本

支付國營退休計劃之款項會於到期支付時作為費用扣除。

(m) 外幣

以外幣進行的交易首先按交易日之匯率或合同訂明結算匯率入賬。以外幣結算的貨幣資產及負債均按結算日之匯率重新換算。匯兌所產生之溢利及虧損計入有關年度之溢利或虧損淨額。

於綜合賬目時，本集團中國業務的資產及負債按結算日之匯率換算。收入及支出項目按全年內的平均匯率換算。所引致的匯兌差額（如有）列作權益並撥入本集團匯兌儲備內處理。並於出售有關業務之年度確認為收入或費用。

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(k) Taxation (Continued)

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

In accordance with the relevant tax laws enacted in the PRC, all the companies of the Group established in the PRC are subject to value-added tax ("VAT"). This principal indirect tax is levied on the sales of goods and provision of certain specified services (known as "Output VAT"). Output VAT is recovered from customers with sales proceeds and is calculated at 17% or 13% of the selling price. The net VAT payable of the Group represents Output VAT minus the VAT paid on purchases of goods and certain specified services (known as "Input VAT").

(l) Retirement benefit costs

Payments to the state-sponsored retirement benefit plan are charged as expenses as they fall due.

(m) Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions or at the contracted settlement rate. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the year.

On consolidation, the assets and liabilities of the Group's operations in the PRC are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange translation reserve. Such translation differences are recognised as income or expense in the year in which the operation is disposed of.

3. 主要會計政策(續)

(n) 分類資料呈報

分類指本集團在提供產品或服務(業務分類)或在特定經濟環境(地區分類)提供產品或服務方面的可辨別組成部份,而其風險及回報與其他分類不同。

按照本集團的內部財務資料呈報方法,本集團選擇以業務分類資料作為首要呈報方式,並以地區分類資料作為輔助呈報方式。

分類收入、費用、業績、資產及負債包括直接歸於該分類部份的項目,以及可按合理基準分配予該分類部份的項目。例如,分類資產可包括存貨、應收貿易賬款,以及物業、廠房及設備。分類收入、費用、資產及負債則於綜合賬目時抵銷集團內部結餘及交易之前釐定,惟倘有關內部結餘及交易屬於同一分類的集團企業之間的結餘及交易,則作別論。分類部份間之交易定價按外界人士享有的相若條款釐定。

分類資本性支出指收購分類資產的期間內產生的總成本,而有關資產預期可用超過一個財政年度。

未分類項目主要包括企業資產及企業費用。

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(n) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets and liabilities are determined before intercompany balances and transactions within the Group are eliminated as part of the consolidation process, except to the extent that such intercompany balances and transactions are between Group enterprises within a single segment. Inter-segment pricing is based on similar terms as to those charged to external parties.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one financial year.

Unallocated items mainly comprise corporate assets and corporate expenses.

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4. 分類資料

分類資料按本集團的業務及地區分類呈報。業務分類對本集團的內部財務匯報較為有關聯，因此被選為首要分類資料呈報方式。

(a) 業務分類

本集團經營的兩項主要業務分類如下：

稀土：製造及銷售稀土產品
(包括熒光產品)

耐火：製造及銷售耐火產品

4. SEGMENT INFORMATION

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

(a) Business segments

The Group operates the following two main business segments:

Rare Earth : The manufacture and sales of rare earth products including fluorescent products

Refractory : The manufacture and sales of refractory products

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4. 分類資料(續)
(a) 業務分類(續)

4. SEGMENT INFORMATION (Continued)
(a) Business segments (Continued)

		稀土		耐火		總額	
		Rare Earth		Refractory		Total	
		二零零三年	二零零二年	二零零三年	二零零二年	二零零三年	二零零二年
		2003	2002	2003	2002	2003	2002
		千港元	千港元	千港元	千港元	千港元	千港元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
營業額	Turnover	208,281	206,127	248,796	261,536	457,077	467,663
業績	RESULTS						
分類業績	Segment results	16,305	10,439	66,817	73,006	83,122	83,445
未分類企業費用	Unallocated corporate expenses					(11,268)	(10,904)
利息收入	Interest income					3,414	4,438
經營溢利	Profit from operations					75,268	76,979
財務成本	Finance costs					(97)	-
其他收入/(費用)淨額	Other income/(expenses), net					1,114	(28,064)
稅項	Taxation					(9,246)	(8,593)
少數股東權益	Minority interests					(461)	710
本年度溢利淨額	Net profit for the year					66,578	41,032
其他資料	OTHER INFORMATION						
分類資產	Segment assets	611,500	586,816	475,734	423,653	1,087,234	1,010,469
未分類企業資產	Unallocated corporate assets					3,842	18,581
資產總值	Total assets					1,091,076	1,029,050
分類負債	Segment liabilities	41,933	33,757	33,822	38,965	75,755	72,722
未分類企業負債	Unallocated corporate liabilities					2,642	2,544
負債總值	Total liabilities					78,397	75,266
年內產生的資本性支出	Capital expenditure incurred during the year	63,677	47,919	11,038	66,040		
折舊	Depreciation	20,693	21,085	15,152	11,955		
折舊以外的非現金支出	Non-cash expenses other than depreciation	318	42,613	-	10,707		

截至二零零三年十二月三十一日止年度
For the year ended 31 December 2003

4. 分類資料(續)

(b) 地區分類

本集團的業務主要在中國、日本、歐洲及美國進行。按地區分類的營業額分析如下：

4. SEGMENT INFORMATION (Continued)

(b) Geographical segments

The Group's activities are conducted predominantly in the PRC, Japan, Europe and the United States of America. An analysis of turnover by geographical segment is as follows:

		按地區市場之營業額	
		Turnover by geographical market	
		二零零三年	二零零二年
		2003	2002
		千港元	千港元
		HK\$'000	HK\$'000
中國	The PRC	315,022	353,965
日本	Japan	94,393	77,332
歐洲	Europe	43,082	25,672
美國	The United States of America	1,330	7,329
其他	Others	3,250	3,365
		457,077	467,663

本集團超過百分之九十的分類資產是位於中國。

Over 90% of segment assets of the Group are located in the PRC.

5. 營業額

5. TURNOVER

		本集團	
		The Group	
		二零零三年	二零零二年
		2003	2002
		千港元	千港元
		HK\$'000	HK\$'000
稀土產品、耐火產品及熒光產品銷售	Sales of rare earth products, refractory products and fluorescent products	457,077	467,663

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6. 利息收入

6. INTEREST INCOME

		本集團 The Group	
		二零零三年 2003	二零零二年 2002
		千港元 HK\$'000	千港元 HK\$'000
銀行存款利息收入	Interest income on bank deposits	3,414	4,438

7. 經營溢利

7. PROFIT FROM OPERATIONS

經營溢利已扣除／(計入)下列各項：

Profit from operations has been arrived at after charging/
(crediting):

		本集團 The Group	
		二零零三年 2003	二零零二年 2002
		千港元 HK\$'000	千港元 HK\$'000
核數師酬金	Auditors' remuneration	1,200	1,950
存貨成本(不包括員工 成本、物業、廠房及 設備折舊、存貨撥備及 存貨撇銷)	Cost of inventories excluding staff costs, depreciation on property, plant and equipment, provision for inventories and written off of inventories	299,752	301,388
物業、廠房及 設備折舊	Depreciation on property, plant and equipment	35,929	33,125
員工成本(不包括董事 酬金(附註9))	Staff costs excluding directors' emoluments (Note 9)	15,010	13,103
外匯匯兌虧損淨額	Exchange loss, net	39	142
存貨撥備	Provision for inventories	30	5,108
存貨撇銷	Written off of inventories	56	16,574
已租物業之經營租賃 支出	Operating lease charges on rented premises		
— 第三方	— third parties	1,622	1,663
— 關連人士 (附註25(b)(ii)&(iv))	— related parties (Note 25(b)(ii) & (iv))	1,145	1,010
處置物業、廠房及 設備虧損／(收益)	Loss/(gain) on disposal of property, plant and equipment	42	(831)
撥回應收賬款及 其他應收款的 呆壞賬撥備	Written back of provision for bad and doubtful debts on accounts and other receivables	—	(3,505)
應收賬款及其他應 收款的呆壞賬撥備	Provision for bad and doubtful debts on accounts and other receivables	160	—

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8. 財務成本

8. FINANCE COSTS

		本集團 The Group	
		二零零三年 2003	二零零二年 2002
		千港元 HK\$'000	千港元 HK\$'000
承兌匯票利息支出	Interest expenses on discounted bills	97	–

9. 董事酬金

9. DIRECTORS' EMOLUMENTS

(a) 根據香港公司條例第161條及上市規則的規定而披露的董事酬金如下：

(a) Details of directors' emoluments pursuant to Section 161 of the Hong Kong Companies Ordinance and the provisions of the Listing Rules are as follows:

		本集團 The Group	
		二零零三年 2003	二零零二年 2002
		千港元 HK\$'000	千港元 HK\$'000
非執行董事	Non-executive directors		
– 袍金	– Fees	92	83
執行董事	Executive directors		
– 薪金及津貼	– Salaries and allowance	2,711	2,843
		2,803	2,926

按董事人數及酬金範圍分析的董事酬金如下：

The emoluments of the directors analysed by the number of directors and emolument ranges are as follows:

		本集團 The Group	
		二零零三年 2003	二零零二年 2002
零 – 1,000,000港元	Nil – HK\$1,000,000	6	5
1,000,001港元 – 1,500,000港元	HK\$1,000,001 – HK\$1,500,000	1	1

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9. 董事酬金(續)

- (b) 五位最高薪人士包括四位(二零零二年:四位)董事,彼等的酬金詳情載於上文附註(a)。彼等的酬金總額連同其餘一位(二零零二年:一位)人士的酬金如下:

9. DIRECTORS' EMOLUMENTS (Continued)

- (b) Of the five highest paid individuals of the Group, four (2002: four) are directors of the Company whose emoluments are included in Note (a) above. Their total emoluments together with the remaining one (2002: one) individual are as follows:

		本集團 The Group	
		二零零三年 2003	二零零二年 2002
		千港元 HK\$'000	千港元 HK\$'000
薪金及其他酬金	Salaries and other emoluments	3,130	3,493

包括董事及僱員在內的五位最高薪人士的酬金介乎於下列範圍:

The emoluments of the five highest paid individuals including directors and employees fall within the following ranges:

		本集團 The Group	
		二零零三年 2003	二零零二年 2002
零 - 1,000,000港元	Nil - HK\$1,000,000	4	4
1,000,001港元 - 1,500,000港元	HK\$1,000,001 - HK\$1,500,000	1	1

於截至二零零二年及二零零三年十二月三十一日止年度內,本集團並無向五位最高薪人士(包括董事及僱員)支付任何酬金,作為鼓勵其加入或於加入本集團時的報酬或離職賠償。

During the years ended 31 December 2002 and 2003, no emoluments were paid to the five highest individuals including directors and employees as inducement to join or upon joining the Group or as compensation for loss of office.

截至二零零三年十二月三十一日止年度
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10. 僱員退休福利

如中國有關規則及條例的規定，本公司的中國附屬公司須為其全體僱員向國營退休計劃供款，供款額為僱員底薪的20%。僱員退休後的生活津貼由國營退休計劃負責支付款。中國附屬公司除每年供款外，毋須支付實際退休金，亦毋須負責僱員的退休後福利。截至於二零零三年十二月三十一日止年度，退休計劃供款額約為1,932,000港元（二零零二年：2,053,000港元）。

本集團旗下一在香港營運的公司自二零零零年十二月一日起已參與強制性公積金計劃（「強積金」）。該計劃為定額供款退休金計劃。該公司每月按僱員底薪5%向該計劃供款。截至二零零三年十二月三十一日止年度，本集團向強積金供款約66,000港元（二零零二年：65,000港元）。強積金的資產與本集團的資產分開持有，並由獨立專業基金經理管理。

11. 稅項

10. EMPLOYMENT RETIREMENT BENEFITS

As stipulated by the relevant rules and regulations in the PRC, the PRC subsidiaries of the Company are required to contribute to a state-sponsored retirement plan for all of their employees based on 20% of the employee's basic salary. The state-sponsored retirement plan is responsible for the entire pension obligations payable to retired employees and the PRC subsidiaries of the Company have no further obligations for the actual pension payments or other post-retirement benefits beyond the annual contributions. For the year ended 31 December 2003, the retirement plan contributions amounted to approximately HK\$1,932,000 (2002: HK\$2,053,000).

A company in the Group operating in Hong Kong has participated in the Mandatory Provident Fund Scheme ("MPF"), which is a defined contribution pension scheme, since 1 December 2000. The Company makes monthly contributions to the scheme based on 5% of the employees' basic salaries. For the year ended 31 December 2003, the Group's contributions to the MPF were approximately HK\$66,000 (2002: HK\$65,000). The assets of the fund are held separately from those of the Group and are managed by independent professional fund managers.

11. TAXATION

		本集團	
		The Group	
		二零零三年	二零零二年
		2003	2002
		千港元	千港元
		HK\$'000	HK\$'000
企業所得稅	Enterprise Income Tax		
— 中國附屬公司	— The PRC subsidiaries	9,246	8,593

11. 稅項 (續)

由於本集團的溢利均不在香港產生，故並無就香港利得稅計提撥備。

應付及預交稅項已包括中國增值稅及中國企業所得稅（「企業所得稅」）。

企業所得稅已根據各中國附屬公司的估計應課稅溢利按有關稅率計提。

根據中國有關稅法，中國附屬公司在經抵銷所有以前年度虧損後的首個盈利年度起兩年內獲享豁免繳付企業所得稅，並在其後三個年度獲減稅50%。

於本年內有一家中國附屬公司獲第二年豁免繳付企業所得稅及兩家中國附屬公司獲減免第二年企業所得稅50%。

11. TAXATION (Continued)

Hong Kong Profits Tax has not been provided for in the financial statements as the Group did not derive any assessable profits in Hong Kong.

Tax payable and recoverable comprised PRC VAT and PRC Enterprise Income Tax ("EIT").

EIT has been provided at the prevailing rates on the estimated assessable profits applicable to each PRC subsidiary.

Pursuant to the relevant tax laws in the PRC, subsidiaries in the PRC are entitled to full exemption from EIT for two years starting from their first profit-making year, after offsetting all losses brought forward, followed by a 50% reduction for the next three years thereafter.

During the year, one PRC subsidiary is entitled to full exemption from EIT in the second year and two PRC subsidiaries are entitled to 50% reduction of EIT in the second year.

截至二零零三年十二月三十一日止年度
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11. 稅項(續)

本年度內稅項與綜合損益表之溢利調節如下：

		二零零三年 2003 千港元 HK\$'000	二零零二年 2002 千港元 HK\$'000
除稅前溢利	Profit before taxation	76,285	48,915
按國內所得稅率 24% 計算稅項 (二零零二年：24%)	Tax at the domestic income tax rate of 24% (2002: 24%)	18,492	17,185
稅務寬減的影響	Effect of tax relief	(9,246)	(8,592)
本年度稅項	Taxation for the year	9,246	8,593

由於沒有重大的暫時差額，在財務報表中並未確認遞延稅項撥備。

11. TAXATION (Continued)

The taxation for the year can be reconciled to the profit per the consolidated income statement as follows:

No provision for deferred taxation has been recognised in the financial statements as there are no significant temporary differences.

12. 股息

		二零零三年 2003 千港元 HK\$'000	二零零二年 2002 千港元 HK\$'000
已付的中期股息每股：無 (二零零二年：0.01港元)	Interim dividend paid: HK\$Nil (2002: HK\$0.01) per share	—	8,145
建議派發的末期股息每股0.02港元 (二零零二年：0.01港元)	Proposed final dividend: HK\$0.02 (2002: HK\$0.01) per share	19,739	8,144
		19,739	16,289

12. DIVIDENDS

截至二零零三年十二月三十一日止年度
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13. 每股盈利

每股基本盈利乃根據本年度溢利淨額約66,578,000港元(二零零二年:41,032,000港元)及本年內已發行普通股的加權平數約814,453,000股(二零零二年:814,453,000股)計算。

由於在二零零三年十二月三十一日倘未行使的購股權並無對每股盈利造成重大的攤薄影響,故並無每股攤薄盈利披露。

13. EARNINGS PER SHARE

Basic earnings per share was calculated based on the net profit for the year of approximately HK\$66,578,000 (2002: HK\$41,032,000) and weighted average number of ordinary shares of approximately 814,453,000 (2002: 814,453,000) in issue during the year.

No diluted earnings per share was shown as the share options outstanding as at 31 December 2003 did not have material dilutive effect on the earnings per share.

截至二零零三年十二月三十一日止年度
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14. 物業、廠房及設備以及
在建工程
本集團

14. PROPERTY, PLANT AND EQUIPMENT AND
CONSTRUCTION-IN-PROGRESS
The Group

		樓宇	機器及 設備	辦公室設備 及裝置 Office Machinery and equipment and fixtures	汽車	在建工程	總額
		Buildings	equipment	and fixtures	Motor vehicles	Construction- in-progress	Total
		千港元 HK\$'000	千港元 HK\$'000	千港元 HK\$'000	千港元 HK\$'000	千港元 HK\$'000	千港元 HK\$'000
成本或估值	COST OR VALUATION						
於二零零三年一月一日	At 1 January 2003	137,285	263,443	5,265	4,429	4,028	414,450
添置	Additions	1,476	4,919	143	–	68,209	74,747
由在建工程 轉入	Transfer from construction- in-progress	370	6,210	–	–	(6,580)	–
處置／撤銷	Disposals/written off	–	–	(53)	–	(94)	(147)
重分類	Reclassification	–	–	(333)	333	–	–
於二零零三年十二月三十一日	At 31 December 2003	139,131	274,572	5,022	4,762	65,563	489,050
包括：	Comprising:						
按成本	At cost	121,924	274,572	5,022	4,762	65,563	471,843
按估值	At valuation	17,207	–	–	–	–	17,207
		139,131	274,572	5,022	4,762	65,563	489,050
累計折舊	ACCUMULATED DEPRECIATION						
於二零零三年一月一日	At 1 January 2003	20,206	38,477	835	1,716	–	61,234
本年度計提	Charge for the year	6,899	27,093	998	939	–	35,929
處置／ 撤銷撥回	Written back on disposals/written off	–	–	(11)	–	–	(11)
重分類	Reclassification	–	–	(91)	91	–	–
於二零零三年十二月三十一日	At 31 December 2003	27,105	65,570	1,731	2,746	–	97,152
賬面淨值	NET BOOK VALUE						
於二零零三年十二月三十一日	At 31 December 2003	112,026	209,002	3,291	2,016	65,563	391,898
於二零零二年十二月三十一日	At 31 December 2002	117,079	224,966	4,430	2,713	4,028	353,216

截至二零零三年十二月三十一日止年度
For the year ended 31 December 2003

14. 物業、廠房及設備以及
在建工程(續)

所有樓宇均位於中國。

於資產負債表日，本集團的樓宇賬面淨值包括了已資本化的土地使用權租賃費用合共3,516,000港元(二零零二年：3,712,000港元)。

本公司

14. PROPERTY, PLANT AND EQUIPMENT AND
CONSTRUCTION-IN-PROGRESS (Continued)

All the buildings are located in the PRC.

At the balance sheet date, capitalised lease charges amounted to HK\$3,516,000 (2002: HK\$3,712,000) in respect of land use right were included in the net book value of buildings of the Group.

The Company

辦公室設備
及裝置
Office
equipment
and fixtures
千港元
HK\$'000

成本	COST	
於二零零三年一月一日	At 1 January 2003	375
添置	Additions	32
處置/撤銷	Disposals/written off	(53)
於二零零三年十二月三十一日	At 31 December 2003	354
累計折舊	ACCUMULATED DEPRECIATION	
於二零零三年一月一日	At 1 January 2003	119
本年度計提	Charge for the year	84
處置/撤銷撥回	Written back on disposals/written off	(11)
於二零零三年十二月三十一日	At 31 December 2003	192
賬面淨值	NET BOOK VALUE	
於二零零三年十二月三十一日	At 31 December 2003	162
於二零零二年十二月三十一日	At 31 December 2002	256

截至二零零三年十二月三十一日止年度
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15. 附屬公司權益

15. INTERESTS IN SUBSIDIARIES

		本公司 The Company	
		二零零三年 2003	二零零二年 2002
		千港元 HK\$'000	千港元 HK\$'000
非上市股票，成本值	Unlisted shares, at cost	151,707	151,707
應收附屬公司款項	Amounts due from subsidiaries	489,143	479,733
		640,850	631,440

應收附屬公司款項是無抵押、不計利息及無固定還款期的。

The amounts due from subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment.

董事認為該等附屬公司的實際價值不低於資產負債表的賬面值。

The directors are of the opinion that the underlying value of the subsidiaries is not less than their respective carrying amounts at the balance sheet date.

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For the year ended 31 December 2003

15. 附屬公司權益(續)

於二零零三年十二月三十一日本公司的
主要附屬公司詳情如下：

15. INTERESTS IN SUBSIDIARIES (Continued)

Details of the Company's principal subsidiaries as at 31
December 2003 are as follows:

附屬公司名稱	註冊成立/ 營運之地點及日期	註冊及 已繳足資本	已發行及 繳足股本	本公司應佔權益/ 有投票權股本百分比		主營業務
				直接	間接	
Name of subsidiary	Place and date of incorporation/ operations	Registered and fully paid capital	Issued and fully paid capital	Effective percentage of equity interests/voting rights held by the Company		Principal activities
				Directly	Indirectly	
利成控股有限公司	英屬處女群島 一九九八年十二月三日	—	20美元	100%	—	投資控股
Lee Shing Holdings Limited	British Virgin Islands 3 December 1998		US\$20			Investment holding
龍科國際貿易(上海) 有限公司	中國 二零零零年二月二十四日	200,000美元	—	100%	—	貿易
Wellfire (Shanghai) Company Limited	The PRC 24 February 2000	US\$200,000				Trading
宜興新威利成稀土 有限公司	中國 一九九三年七月十七日	15,660,000美元	—	—	95%	製造及銷售 稀土產品
Yixing Xinwei Leeshing Rare Earth Company Limited	The PRC 17 July 1993	US\$15,660,000				Manufacture and sales of rare earth products
宜興新威利成耐火材料 有限公司	中國 一九九九年七月三十日	17,000,000美元	—	—	100%	製造及銷售 耐火產品
Yixing Xinwei Leeshing Refractory Materials Company Limited	The PRC 30 July 1999	US\$17,000,000				Manufacture and sales of refractory products

截至二零零三年十二月三十一日止年度
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15. 附屬公司權益(續)

15. INTERESTS IN SUBSIDIARIES (Continued)

附屬公司名稱	註冊成立/ 營運之地點及日期	註冊及 已繳足資本	已發行及 繳足股本	本公司應佔權益/ 有投票權股本百分比		主營業務
				Effective percentage of equity interests/voting rights held by the Company	Principal activities	
Name of subsidiary	Place and date of incorporation/ operations	Registered and fully paid capital	Issued and fully paid capital	直接 Directly	間接 Indirectly	
無錫新威熒光材料 有限公司	中國 二零零一年十二月二十日	8,520,000美元	—	—	100%	製造及銷售 熒光產品
Wuxi Xinwei Fluorescent Materials Company Limited	The PRC 20 December 2001	US\$8,520,000				Manufacture and sales of fluorescent products
中國稀土貿易有限公司	香港 二零零一年二月十六日	—	2港元	—	100%	貿易
China Rare Earth Trading Limited	Hong Kong 16 February 2001		HK\$2			Trading

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16. 存貨

16. INVENTORIES

		本集團	
		The Group	
		二零零三年	二零零二年
		2003	2002
		千港元	千港元
		HK\$'000	HK\$'000
原材料	Raw materials	43,251	43,864
在製品	Work in progress	66,528	51,485
產成品	Finished goods	108,351	105,483
		218,130	200,832
減：存貨撥備	Less: Provision for inventories	(13,831)	(13,801)
		204,299	187,031

於資產負債表日，存貨中包括可變現淨值列賬的存貨約為17,828,000港元（二零零二年：20,942,000港元）。

At the balance sheet date, approximately HK\$17,828,000 (2002: HK\$20,942,000) of the inventories of the Group were carried at net realisable value.

17. 應收賬款及其他應收款

本集團給予貿易客戶平均三十至九十日的平均信貸期。

信貸額是經過評估客戶的財政實力及其過往的賬款支付記錄後而向客戶提供。所有客戶均設定信貸限額，而只有在得到本集團高級職員核准後才可以超過限額。與認為有信貸風險的客戶進行交易會以現金進行。專業職員監察逾期應收賬款，並負責跟進收款。

17. ACCOUNTS AND OTHER RECEIVABLES

The Group allows an average credit period of 30 to 90 days to its trade customers.

Credit is offered to customers following an assessment of their financial abilities and payment track record. Credit limits are set for all customers and these can be exceeded only with the approval of senior officers of the Group. Business with customers considered to have credit risk is conducted on a cash basis. Professional staff monitor overdue accounts receivable and follow up collections.

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17. 應收賬款及其他應收款(續)

於資產負債表日，應收賬款及其他應收款已包括：

17. ACCOUNTS AND OTHER RECEIVABLES (Continued)

At the balance sheet date, accounts and other receivables comprised:

		本集團 The Group	
		二零零三年 2003 千港元 HK\$'000	二零零二年 2002 千港元 HK\$'000
應收賬款	Accounts receivable	131,753	109,036
其他應收款	Other receivables	15,216	26,302
		146,969	135,338
減：呆壞賬撥備	Less: Provision for bad and doubtful debts	(8,689)	(8,529)
		138,280	126,809

應收賬款之賬齡分析如下：

An ageing analysis of accounts receivable is as follows:

		本集團 The Group	
		二零零三年 2003 千港元 HK\$'000	二零零二年 2002 千港元 HK\$'000
本期至六個月內	Current to less than 6 months	112,556	98,791
六個月至一年內	6 months to less than 1 year	9,896	2,241
一至兩年內	1 to less than 2 years	4,058	2,388
兩年以上	Over 2 years	5,243	5,616
		131,753	109,036

18. 現金及銀行結存

於二零零三年十二月三十一日，本集團以人民幣結算的現金及銀行結存約為人民幣262,911,000元(二零零二年：人民幣278,956,000元)。人民幣是不可自由兌換成外幣，其匯率由中國政府釐定。

18. CASH AND BANK BALANCES

At 31 December 2003, cash and bank balances of the Group denominated in Renminbi amounted to approximately RMB262,911,000 (2002: RMB278,956,000). Renminbi is not freely convertible into foreign currencies and its exchange rate is determined by the government of the PRC.

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19. 應付賬款
應付賬款之賬齡分析如下：

19. ACCOUNTS PAYABLE
An ageing analysis of accounts payable is as follows:

		本集團 The Group	
		二零零三年 2003 千港元 HK\$'000	二零零二年 2002 千港元 HK\$'000
本期至六個月內	Current to less than 6 months	35,439	47,138
六個月至一年內	6 months to less than 1 year	5,678	2,602
一至兩年內	1 to less than 2 years	2,120	1,486
兩年以上	Over 2 years	18	149
		43,255	51,375

20. 股本

20. SHARE CAPITAL

		本集團及本公司 The Group and the Company	
		二零零三年 2003 千港元 HK\$'000	二零零二年 2002 千港元 HK\$'000
法定：	Authorised:		
1,000,000,000股 每股0.10港元之普通股	1,000,000,000 ordinary shares of HK\$0.10 each	100,000	100,000
已發行及繳足：	Issued and fully paid:		
814,453,059股 每股0.10港元之普通股	814,453,059 ordinary shares of HK\$0.10 each	81,445	81,445

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21. 儲備

本集團

21. RESERVES

The Group

		股份溢價 (附註a) Share premium (Note a) 千港元 HK\$'000	資本儲備 Capital reserve 千港元 HK\$'000	法定儲備 Statutory reserves 千港元 HK\$'000	股息儲備 Dividend reserve 千港元 HK\$'000	外匯兌換 儲備 Exchange translation reserve 千港元 HK\$'000	累計溢利 Accumulated profits 千港元 HK\$'000	總額 Total 千港元 HK\$'000
於二零零二年一月一日	At 1 January 2002							
– 原先所列	– as originally stated	4,124,485	32,837	26,968	–	3,498	364,495	840,283
– 於資產負債表日後 宣佈的建議 末期股息	– proposed final dividend declared after the balance sheet date	–	–	–	16,289	–	(16,289)	–
– 經重列	– as restated	4,124,485	32,837	26,968	16,289	3,498	348,206	840,283
本年度溢利淨額	Net profit for the year	–	–	–	–	–	41,032	41,032
轉往法定 儲備	Appropriations to statutory reserves	–	–	14,716	–	–	(14,716)	–
撥出之股息 (附註12)	Dividends set aside (Note 12)	–	–	–	16,289	–	(16,289)	–
已付股息	Dividends paid							
– 二零零一年 末期股息	– for 2001 final dividend	–	–	–	(16,289)	–	–	(16,289)
– 二零零二年 中期股息	– for 2002 interim dividend	–	–	–	(8,145)	–	–	(8,145)
中國附屬公司 財務報表 換算	Translation of PRC subsidiaries' financial statements	–	–	–	–	99	–	99
於二零零二年十二月三十一日 及二零零三年一月一日	At 31 December 2002 and 1 January 2003	4,124,485	32,837	41,684	8,144	3,597	358,253	856,980
本年度溢利淨額	Net profit for the year	–	–	–	–	–	66,578	66,578
轉往法定 儲備	Appropriations to statutory reserves	–	–	4,890	–	–	(4,890)	–
撥出之股息 (附註12)	Dividends set aside (Note 12)	–	–	–	19,739	–	(19,739)	–
已付二零零二年 末期股息	Dividends paid for 2002 final dividend	–	–	–	(8,144)	–	–	(8,144)
於二零零三年十二月三十一日	At 31 December 2003	4,124,485	32,837	46,574	19,739	3,597	400,182	915,414

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21. 儲備(續)

本公司

21. RESERVES (Continued)

The Company

		股份溢價 (附註a) Share premium (Note a) 千港元 HK\$'000	股息儲備 Dividend reserve 千港元 HK\$'000	累計溢利 Accumulated profits 千港元 HK\$'000	總額 Total 千港元 HK\$'000
於二零零二年一月一日	At 1 January 2002				
— 原先所列	— as originally stated	562,435	—	(7,127)	555,308
— 於資產負債表日後 宣佈的建議 末期股息	— proposed final dividend declared after the balance sheet date	—	16,289	(16,289)	—
— 經重列	— as restated	562,435	16,289	(23,416)	555,308
本年度溢利淨額 (附註c及d)	Net profit for the year (Notes c & d)	—	—	25,327	25,327
撥出之股息 (附註12)	Dividends set aside (Note 12)	—	16,289	(16,289)	—
已付股息	Dividends paid				
— 二零零一年末期股息	— for 2001 final dividend	—	(16,289)	—	(16,289)
— 二零零二年中期股息	— for 2002 interim dividend	—	(8,145)	—	(8,145)
於二零零二年十二月三十一日 及二零零三年一月一日 (附註b)	At 31 December 2002 and 1 January 2003 (Note b)	562,435	8,144	(14,378)	556,201
本年度溢利淨額 (附註c及d)	Net profit for the year (Notes c & d)	—	—	7,676	7,676
撥出之股息 (附註12)	Dividends set aside (Note 12)	—	19,739	(19,739)	—
已付二零零二年 末期股息	Dividends paid for 2002 final dividend	—	(8,144)	—	(8,144)
於二零零三年十二月三十一日 (附註b)	At 31 December 2003 (Note b)	562,435	19,739	(26,441)	555,733

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21. 儲備(續)

- (a) 根據開曼群島公司法(一九九八年修訂版)，股份溢價賬可供分派予本公司股東，惟緊隨建議分派股息之日，本公司將可於日常業務過程中償付其到期的債務。
- (b) 本公司之可供分派儲備包括股份溢價賬及累計溢利。於二零零三年十二月三十一日，本公司可供分派給股東的儲備約555,733,000港元(二零零二年：556,201,000港元)。
- (c) 股東應佔溢利包括約7,676,000港元(二零零二年：25,327,000港元)的溢利，已於本公司財務報表內處理。
- (d) 關於作為香港辦事處的租賃物業之租約合同由本公司的附屬公司代表本公司簽訂。於本年度，該等安排的相關經營租賃費用及物業管理費合共1,258,000港元(二零零二年：1,284,000港元)已計入於本公司的本年度溢利淨額。

22. 銀行融資

於二零零三年十二月三十一日，本集團具有銀行融資約18,448,000港元(二零零二年：27,098,000港元)作為貿易融資。同日未提用之融資金額約為18,448,000港元(二零零二年：27,098,000港元)。該貿易融資是以一筆不少於已提用融資金額的銀行定期存款作第一抵押擔保。所有上述融資均按商業利率計息。

21. RESERVES (Continued)

- (a) Under the Companies Law (1998 Revision) of the Cayman Islands, the share premium account is distributable to the shareholders 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.
- (b) The Company's reserves available for distribution comprise the share premium account and accumulated profits. At 31 December 2003, the reserves of the Company available for distribution to shareholders amounted to approximately HK\$555,733,000 (2002: HK\$556,201,000).
- (c) The Group's profit attributable to shareholders included profit of approximately HK\$7,676,000 (2002: HK\$25,327,000) which has been dealt with in the financial statements of the Company.
- (d) The tenancy agreements in relation to rented premises used as the office in Hong Kong were signed by the subsidiaries of the Company on behalf of the Company. During the year, the relevant operating lease charges and building management fee totalling HK\$1,258,000 (2002: HK\$1,284,000) in respect of the arrangement were included in the net profit for the year of the Company.

22. BANKING FACILITIES

At 31 December 2003, the Group had banking facilities of approximately HK\$18,448,000 (2002: HK\$27,098,000) for trade finance. Unused facilities as at the same date amounted to approximately HK\$18,448,000 (2002: HK\$27,098,000). The trade finance facility is secured by a first charge over a time deposit account held with a bank in an amount not less than the utilised facility amount. All of the above facilities bear interest at commercial rates.

23. 承擔

於資產負債表日，本集團沒有在財務報表內撥備之承擔如下：

- (a) 購買機器及設備以及建造樓宇之資本承擔：

23. COMMITMENTS

At the balance sheet date, the Group had the following commitments, so far as not provided for in the financial statements, in respect of:

- (a) Capital commitments in respect of acquisition of machinery and equipment and construction of buildings:

		本集團 The Group	
		二零零三年 2003 千港元 HK\$'000	二零零二年 2002 千港元 HK\$'000
已授權及已訂約	Authorised and contracted for	60,124	46,145

- (b) 根據不可撤銷之土地及樓宇經營租賃於日後所需繳付的最低租金款項承擔如下：

- (b) Operating lease commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings which fall due as follows:

		本集團 The Group	
		二零零三年 2003 千港元 HK\$'000	二零零二年 2002 千港元 HK\$'000
一年內	Within one year	2,920	1,959
第二至第五年(包括首尾兩年)	In the second to fifth year inclusive	3,394	3,857
五年後	Over five years	11,452	12,006
		17,766	17,822

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24. 購股權計劃

根據本公司股東於一九九九年十月十四日批准的本公司購股權計劃，董事會可於一九九九年十月十四日起十年內酌情向本集團全職僱員提出認購購股權的建議，該等購股權可根據購股權計劃所訂明的條款與條件認購本公司的股份。於二零零二年內並未有任何購股權被授出。於本年度內授出及失效之購股權及於二零零三年十二月三十一日尚未行使之購股權詳情如下：

24. SHARE OPTION SCHEME

Under the Company's share option scheme approved by the shareholders of the Company on 14 October 1999, the directors may at their discretion, within a period of ten years from 14 October 1999, make offers to full time employees of the Group to take up options to subscribe for shares of the Company subject to the terms and conditions stipulated. No options were granted in 2002. Particulars of the share options granted and lapsed during the year and outstanding as at 31 December 2003 are as follows:

		可發行股份數目 Number of shares issuable
於二零零三年一月一日	Balance at 1 January 2003	–
於本年內授出	Granted during the year	13,000,000
於本年內失效	Lapsed during the year	(6,500,000)
於二零零三年十二月三十一日	Balance at 31 December 2003	6,500,000

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24. 購股權計劃(續)

於二零零三年十二月三十一日，根據購股權計劃條款，購股權可於下列期限內行使：

24. SHARE OPTION SCHEME (Continued)

According to the terms of the share option scheme, share options as at 31 December 2003 were exercisable within the following period:

授出日期	可發行股份數目	每股行使價	行使期限
Date of grant	Number of shares issuable	Exercise price per share	Exercisable period
二零零三年一月二十三日	6,500,000	1.10港元	二零零三年一月二十七日至二零零三年一月二十六日 (唯授出之購股權之50%不可於二零零四年一月二十七日前行使)
23 January 2003		HK\$1.10	27 January 2003 to 26 January 2004 (Provided that 50% of the options granted shall not be exercised prior to 27 January 2004)

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25. 關聯人士交易

- (a) 應收／(應付)關聯公司款項詳情如下：

本集團

關聯公司名稱	二零零三年 2003			二零零二年 2002			
	應收	應付	本年度欠 本集團 最高金額 Maximum amount owed to the Group during the year 千港元 HK\$'000	應收	應付	本年度欠 本集團 最高金額 Maximum amount owed to the Group during the year 千港元 HK\$'000	
無錫泛亞環保 科技有限公司	Wuxi Pan-Asia Environmental Protection Technologies Limited	46	-	50	-	(17)	-
無錫泛亞高溫陶瓷 有限公司	Wuxi Pan-Asia High Temperature Ceramics Co., Ltd.	-	(46)	-	-	(88)	-
		46	(46)		-	(105)	

應收／(應付)關聯公司款項是無抵押、不計利息及無固定還款期的。

蔣泉龍或錢元英或其近親在此等公司擁有實際權益。

25. RELATED PARTY TRANSACTIONS

- (a) Particulars of amounts due from / (to) related companies are as follows:

The Group

Name of related company	2003			2002		
	Due from 千港元 HK\$'000	Due to 千港元 HK\$'000	Maximum amount owed to the Group during the year 千港元 HK\$'000	Due from 千港元 HK\$'000	Due to 千港元 HK\$'000	Maximum amount owed to the Group during the year 千港元 HK\$'000
Wuxi Pan-Asia Environmental Protection Technologies Limited	46	-	50	-	(17)	-
Wuxi Pan-Asia High Temperature Ceramics Co., Ltd.	-	(46)	-	-	(88)	-
	46	(46)		-	(105)	

The amounts due from/(to) related companies are unsecured, non-interest bearing and have no fixed terms of repayment.

Jiang Quanlong or Qian Yuanying or their close relatives have beneficial interests in these companies.

25. 關聯人士交易(續)

(b) 於本年度，本集團進行以下關聯交易：

- (i) 本集團無須支付任何代價而使用宜興新威集團有限公司的出口配額並已安排其產品出口至中國以外地方，宜興新威集團有限公司為一間中國國內企業，由蔣泉龍擁有90%，而另外10%由蔣泉龍之子擁有。蔣泉龍亦是該企業的法定代表。透過上述安排而處理的出口銷售額約為1,746,000港元(二零零二年：19,122,000港元)。宜興新威集團有限公司亦持有本公司的附屬公司—宜興新威利成稀土有限公司的5%權益。
- (ii) 本集團已支付約204,000港元(二零零二年：204,000港元)的租金予蔣泉龍。
- (iii) 本集團已出售約180,000港元(二零零二年：239,000港元)的貨品予無錫泛亞高溫陶瓷有限公司。
- (iv) 本集團已支付約941,000港元(二零零二年：806,000港元)的租金予無錫泛亞高溫陶瓷有限公司。

25. RELATED PARTY TRANSACTIONS (Continued)

(b) During the year, the Group entered into the following related party transactions:

- (i) The Group arranged export sales of its products outside the PRC using the export quota of Yixing Xinwei Group Co., Ltd. at no consideration. Yixing Xinwei Group Co., Ltd. is a PRC domestic enterprise 90% owned by Jiang Quanlong and 10% owned by a son of Jiang Quanlong. Jiang Quanlong is also the legal representative of the enterprise. Export sales handled through this arrangement amounted to approximately HK\$1,746,000 (2002: HK\$19,122,000). Yixing Xinwei Group Co., Ltd. also holds a 5% equity interests in Yixing Xinwei Leeshing Rare Earth Company Limited, a subsidiary of the Company.
- (ii) The Group paid rent of approximately HK\$204,000 (2002: HK\$204,000) to Jiang Quanlong.
- (iii) The Group sold materials of approximately HK\$180,000 (2002: HK\$239,000) to Wuxi Pan-Asia High Temperature Ceramics Co., Ltd.
- (iv) The Group paid rent of approximately HK\$941,000 (2002: HK\$806,000) to Wuxi Pan-Asia High Temperature Ceramics Co., Ltd.

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25. 關聯人士交易 (續)

(c) 應付董事款項詳情如下：

		本集團		本公司	
		The Group		The Company	
		二零零三年	二零零二年	二零零三年	二零零二年
		2003	2002	2003	2002
		千港元	千港元	千港元	千港元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
蔣泉龍	Jiang Quanlong	6,612	3,124	4,186	3,009
錢元英	Qian Yuanying	1,561	602	1,622	1,203
范亞軍	Fan Yajun	263	411	684	635
		8,436	4,137	6,492	4,847

應付董事款項是無抵押、不計利息及無固定還款期的。

The amounts due to directors are unsecured, non-interest bearing and have no fixed terms of repayment.

26. 結算日後事項

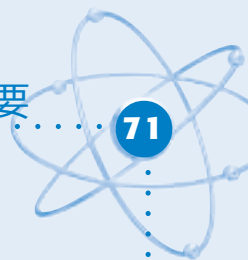
根據於二零零四年一月二十九日在本公司股東特別大會通過的決議案，172,500,000股以每股1.20港元之價格合共207,000,000港元的股份已發行予一控股股東，作為收購持有無錫泛亞高溫陶瓷有限公司（一間在中國註冊成立的有限公司）的全部權益的 Dynamic Goal Worldwide Inc.（一間在英屬處女群島註冊成立的有限公司）之全部已發行股份之代價。

另外，本公司的法定股本以新增每股面值0.10港元的普通股1,000,000,000股，由100,000,000港元增加至200,000,000港元。

26. POST BALANCE SHEET EVENTS

Pursuant to the resolutions passed on 29 January 2004 at an extraordinary general meeting of the Company, 172,500,000 shares were issued at a price of HK\$1.20 per share totalling HK\$207,000,000 to a controlling shareholder of the Company in respect of the acquisition of the entire issued share capital of Dynamic Goal Worldwide Inc., a limited company incorporated in the British Virgin Islands, which in turn owns the entire equity interest in Wuxi Pan-Asia High Temperature Ceramics Co., Ltd., a limited company incorporated in the PRC.

In addition, the authorised share capital of the Company was increased from HK\$100,000,000 to HK\$200,000,000 by the creation of 1,000,000,000 additional ordinary shares of HK\$0.10 each in the capital of the Company.



截至十二月三十一日止年度

For the year ended 31 December

		二零零三年 2003 千港元 HK\$'000	二零零二年 2002 千港元 HK\$'000	二零零一年 2001 千港元 HK\$'000	二零零零年 2000 千港元 HK\$'000	一九九九年 1999 千港元 HK\$'000
營業額	Turnover	457,077	467,663	617,808	558,231	447,845
銷售成本	Cost of sales	(345,042)	(363,610)	(434,757)	(367,455)	(287,088)
毛利	Gross profit	112,035	104,053	183,051	190,776	160,757
除稅前溢利	Profit before taxation	76,285	48,915	146,707	145,679	116,904
稅項	Taxation	(9,246)	(8,593)	-	-	(32,745)
除少數股東 權益前溢利	Profit before minority interests	67,039	40,322	146,707	145,679	84,159
少數股東權益	Minority interests	(461)	710	(4,493)	(4,756)	(2,992)
本年度溢利淨額	Net profit for the year	66,578	41,032	142,214	140,923	81,167

於十二月三十一日

As at 31 December

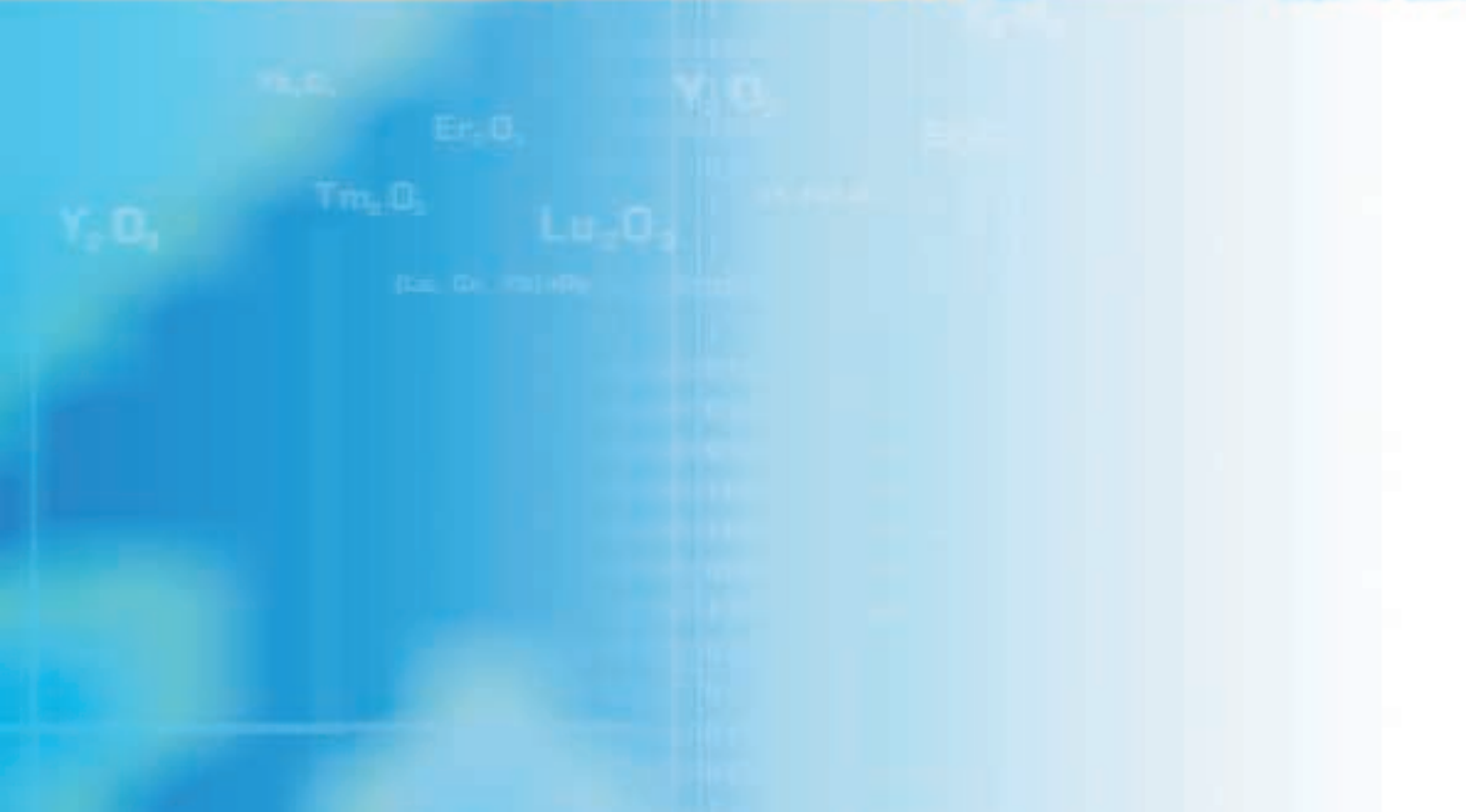
		二零零三年 2003 千港元 HK\$'000	二零零二年 2002 千港元 HK\$'000	二零零一年 2001 千港元 HK\$'000	二零零零年 2000 千港元 HK\$'000	一九九九年 1999 千港元 HK\$'000
流動資產	Current assets	699,178	675,834	591,636	452,631	323,035
非流動資產	Non-current assets	391,898	353,216	425,242	216,569	133,459
資產總值	Total assets	1,091,076	1,029,050	1,016,878	669,200	456,494
流動負債	Current liabilities	78,397	75,266	79,081	102,445	92,490
非流動負債	Non-current liabilities	-	-	-	34,320	39,339
負債總值	Total liabilities	78,397	75,266	79,081	136,765	131,829
少數股東權益	Minority interests	15,820	15,359	16,069	11,582	6,229
資產淨值	Net assets	996,859	938,425	921,728	520,853	318,436
股本	Share capital	81,445	81,445	81,445	67,529	60,000
儲備	Reserves	915,414	856,980	840,283	453,324	258,436
股東權益	Shareholders' equity	996,859	938,425	921,728	520,853	318,436

附註:

本集團截至一九九九年十二月三十一日止年度的業績，已按合併會計法編製，以顯示本集團如本公司的股票於香港聯合交易所有限公司上市前所進行之集團重組的業績。

Note:

The results of the Group for the year ended 31 December 1999 have been prepared on the merger basis of accounting to indicate the results as a result of group reorganisation undertaken prior to the listing of the Company's shares on The Stock Exchange of Hong Kong Limited.





CRE 中國稀土控股有限公司
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Annual Report 2003 年報