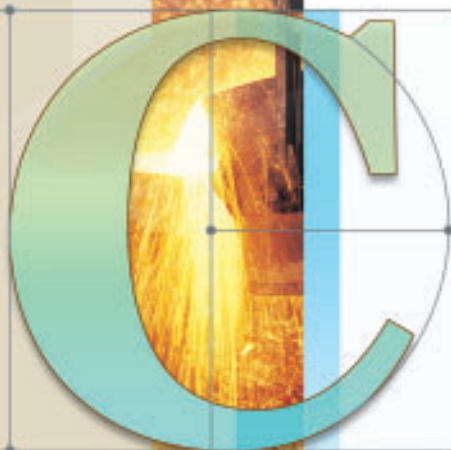


氧化鈣



cerium oxide



中國稀土控股有限公司

China Rare Earth Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立之有限公司)

Stock code 股份代號: 769



RE green phosphor for lamps

燈用綠色螢光粉



氧化鈣

erbium oxide

Annual Report 2006 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)
許盤鳳女士
蔣才南先生

獨立非執行董事

劉余九先生
黃春華先生
金重先生

審計委員會

劉余九先生
黃春華先生
金重先生

薪酬委員會

蔣泉龍先生
劉余九先生
黃春華先生
金重先生

公司秘書

羅納德先生

註冊辦事處

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P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

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
中環雪廠街16號
西洋會所大廈15樓

DIRECTORS**Executive Directors**

Mr Jiang Quanlong (*Chairman*)
Ms Qian Yuanying (*Deputy Chairman*)
Ms Xu Panfeng
Mr Jiang Cainan

Independent Non-executive Directors

Mr Liu Yujiu
Mr Huang Chunhua
Mr Jin Zhong

AUDIT COMMITTEE

Mr Liu Yujiu
Mr Huang Chunhua
Mr Jin Zhong

REMUNERATION COMMITTEE

Mr Jiang Quanlong
Mr Liu Yujiu
Mr Huang Chunhua
Mr Jin Zhong

COMPANY SECRETARY

Mr Law Lap Tak

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Dapu, Yixing
Jiangsu Province, PRC

PLACE OF BUSINESS IN HONG KONG

15/F, Club Lusitano
16 Ice House Street, Central
Hong Kong

香港法律顧問

趙不渝 馬國強律師事務所

HONG KONG LEGAL ADVISERS

Chiu & Partners

核數師

信永中和(香港)會計師事務所有限公司

AUDITORS

SHINEWING (HK) CPA Limited

主要往來銀行

中國

中國銀行
中國工商銀行
中國建設銀行
中國招商銀行

PRINCIPAL BANKERS

PRC

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

香港

渣打銀行
中國銀行
南洋商業銀行

Hong Kong

Standard Chartered Bank
Bank of China
Nanyang Commercial Bank, Limited

主要股份過戶登記處

Butterfield Fund Services (Cayman) Limited
Butterfield House, 68 Fort Street
P.O. Box 705, George Town
Grand Cayman
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Cayman) Limited
Butterfield House, 68 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

**HONG KONG BRANCH SHARE REGISTRAR AND
TRANSFER OFFICE**

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

互聯網址

www.creh.com.hk

INTERNET WEBSITE

www.creh.com.hk

香港聯合交易所有限公司股份代號

769

**STOCK CODE ON THE STOCK EXCHANGE OF
HONG KONG LIMITED**

769

公關顧問

縱橫財經公關顧問有限公司

PUBLIC RELATIONS CONSULTANT

Strategic Financial Relations Limited

04 財務摘要 FINANCIAL HIGHLIGHTS

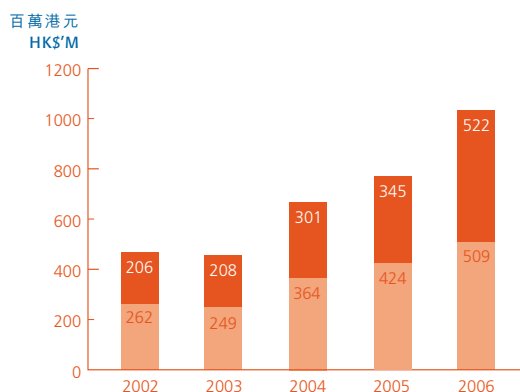
營業額 TURNOVER

截至十二月三十一日止年度 For the year ended 31 December	百萬港元 HK\$'M	變動 Change
2002	468	24% ↓
2003	457	2% ↓
2004	665	46% ↑
2005	769	16% ↑
2006	1,031	34% ↑

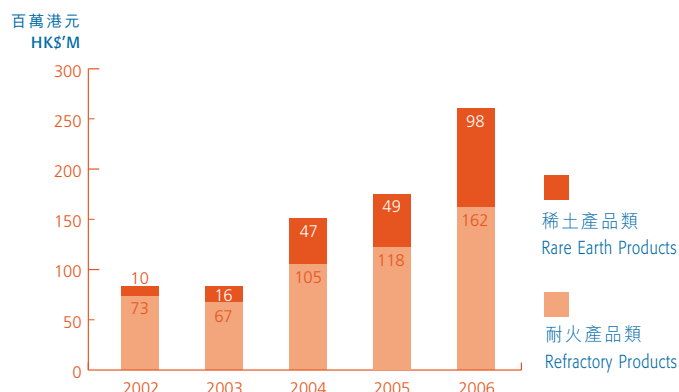
股東應佔溢利 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

截至十二月三十一日止年度 For the year ended 31 December	百萬港元 HK\$'M	變動 Change
2002	41	71% ↓
2003	67	63% ↑
2004	120	80% ↑
2005	130	9% ↑
2006	209	61% ↑

Turnover 營業額



Segment results 分類業績

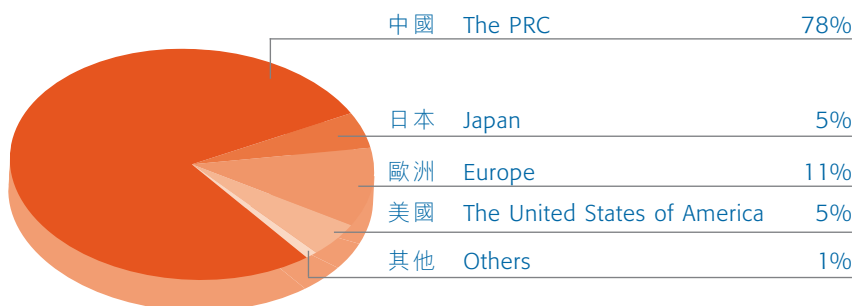


	2006		2005		2004		2003		2002	
	百萬港元 HK\$'M	%	百萬港元 HK\$'M	%	百萬港元 HK\$'M	%	百萬港元 HK\$'M	%	百萬港元 HK\$'M	%
營業額 Turnover										
稀土產品類 Rare Earth Products	522	51%	345	45%	301	45%	208	46%	206	44%
耐火產品類 Refractory Products	509	49%	424	55%	364	55%	249	54%	262	56%
總額 Total	1,031	100%	769	100%	665	100%	457	100%	468	100%

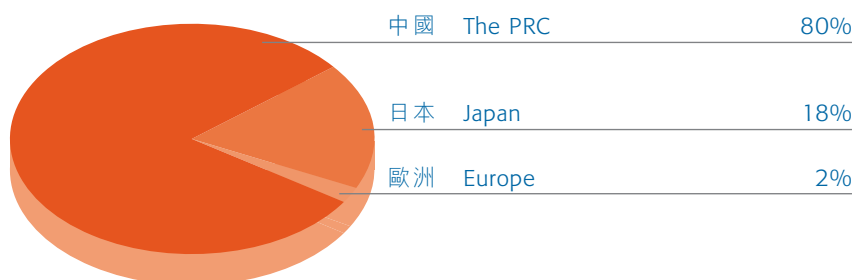
分類業績 Segment results

	2006	%	2005	%	2004	%	2003	%	2002	%
百萬港元 HK\$'M										
稀土產品類 Rare Earth Products	98	38%	49	29%	47	31%	16	20%	10	12%
耐火產品類 Refractory Products	162	62%	118	71%	105	69%	67	80%	73	88%
總額 Total	260	100%	167	100%	152	100%	83	100%	83	100%

稀土產品類
Rare Earth Products
2006



耐火產品類
Refractory Products
2006



		稀土產品類 Rare Earth Products		耐火產品類 Refractory Products	
		2006	2005	2006	2005
		%	%	%	%
營業額	Turnover				
中國	The PRC	78%	72%	80%	82%
日本	Japan	5%	8%	18%	17%
歐洲	Europe	11%	12%	2%	1%
美國	The United States of America	5%	4%	—	—
其他	Others	1%	4%	—	—
總額	Total	100%	100%	100%	100%



蔣泉龍 – 主席

隨著各種科技和消費電子產品的迅速發展，二零零六年度市場對稀土產品，特別是磁性材料的需求更形殷切，加上中國中央政府為保障稀土這種重要的國家戰略資源而進一步制定政策，稀土產品價格因而持續上升，使本集團的營業額和溢利均錄得可觀增長。

年內，本集團積極推廣業務，並分別與全球最大綜合企業之一的美國通用電器集團（「通用電器」）及韓國一家大型的熒光體應用商簽署聯盟協議，以建立戰略合作夥伴關係。這兩宗合作對本集團發展稀土下游產品，提升技術及擴闊出口市場有著推動作用，並為將來的進一步合作打下鞏固的基礎。

“

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（「本公司」）及其附屬公司（合稱「本集團」）截至二零零六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 present to you the annual results of China Rare Earth Holdings Limited (the “Company”) and its subsidiaries (together the “Group”) for the year ended 31 December 2006.

”

JIANG QUANLONG – Chairman

Driven by the rapid development of high-tech products and consumer electronics, demand for rare earth products, especially magnetic materials, surged in 2006. Apart from rising demand, additional measures implemented by the Chinese Government to regulate supply of rare earth protecting this important national resource, have also sent rare earth product prices on constant rise. As a result, the Group recorded significant growth in both turnover and profit for the year under review.

The Group actively expanded its business in 2006. It forged strategic alliances with one of the world's largest business corporations General Electric Company (“General Electric”) and a major Korean fluorescent materials user. These moves are expected to see the Group expand its downstream product portfolio, improve production technology and open up more export markets. The Group has a solid foundation for taking those alliances further in the future.

此外，本集團於二零零五年十二月成功收購了位於中國遼寧省的海城市蘇海鎂礦有限公司（「蘇海鎂礦」）。這宗收購作為本集團邁向上游產業的第一步，不但保障了本集團耐火材料業務的原材料供應，亦令本集團於二零零六年度的盈利得到新的增長點。本集團更將利用該公司靠近鎂砂資源的優勢，發展高純鎂砂業務。土地徵用、廠房興建及生產設備設置等具體計劃已落實並循序展開。

財務業績

截至二零零六年十二月三十一日止財政年度，本集團錄得營業額1,031,082,000港元，較二零零五年之769,370,000港元增長約34%。當中稀土產品（包括熒光材料）之營業額約為522,110,000港元，較去年之345,243,000港元增長約51%，佔總營業額51%。耐火材料產品（包括高溫陶瓷及鎂砂）則錄得營業額508,972,000港元，較去年同期之424,127,000港元增長約20%，佔總營業額49%。由於市場持續向好，各業務的毛利率均有所上升，整體毛利率由去年的約27%增加至約29%。

回顧年內，本集團的除稅前溢利為274,075,000港元，與去年之171,646,000港元比較上升了約60%。其中本集團於回顧年內的業績已開始併入蘇海鎂礦的貢獻，其營業額及淨溢利分別為68,408,000港元及20,215,000港元。減除62,384,000港元稅項後，本集團整體之淨溢利為211,691,000港元，較去年之131,625,000港元上升61%，淨利率亦由去年的17%增至約21%，每股盈利由去年的13.2港仙升至18.0港仙。

In December 2005, the Group acquired Haicheng City Suhai Magnesium Ore Co., Ltd. ("Suhai Magnesium") in Liaoning, the PRC and took the first step to enter the upstream business. The deal has assured the Group's access to raw materials supply for its refractory products and presented the Group with a new source of profit for 2006. The Group will ride on Suhai Magnesium's advantage of proximity to magnesium resources to develop high purity magnesium grains business. Acquisition of land for building related plant and setting up of production lines had been confirmed and preliminary works have begun.

FINANCIAL RESULTS

As at 31 December 2006, the Group recorded a total turnover of HK\$1,031,082,000, 34% more than the HK\$769,370,000 in 2005. The turnover from rare earth products (including fluorescent materials) was HK\$522,110,000, 51% more than last year's HK\$345,243,000 and accounting for 51% of the Group's total turnover. Refractory materials (including high temperature ceramics and magnesium grains) brought in HK\$508,972,000 in turnover, 20% more than the HK\$424,127,000 recorded in the previous year and accounting for 49% of the Group's total turnover. Operating in an overall favourable market environment, all business segments reported gross profit growth, bringing the Group's gross profit margin to about 29% against about 27% last year.

During the year under review, the Group made profit before taxation of HK\$274,075,000, a gain of 60% when compared to HK\$171,646,000 of last year. The turnover and net profit of Suhai Magnesium, HK\$68,408,000 and HK\$20,215,000 respectively, were reflected in the 2006 consolidated financial results for the first time. After deducting taxation of HK\$62,384,000, the Group's net profit was HK\$211,691,000, representing an increase of 61% over last year's HK\$131,625,000. Net profit margin was 21% against 17% in the previous year. Basic earnings per share for the year were HK18.0 cents against last year's HK13.2 cents.

股息

董事會建議派發二零零六年度之末期股息每股4港仙。連同中期股息每股1港仙，累計全年共派息每股5港仙。倘若股東於二零零七年六月一日舉行的股東週年大會中通過有關動議，末期股息將於二零零七年六月十五日或以前派發給於二零零七年六月一日登記冊上的股東。

本公司將於二零零七年五月二十九日至二零零七年六月一日，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本公司的股東大會，所有股份之過戶文件連同有關之股票須於二零零七年五月二十八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

稀土業務

回顧年內，中國中央政府持續推行一系列節能環保的措施，逼使一些生產程序及產品質素未達水平的小規模稀土廠家倒閉，行業正值整固之中；另一方面，國家在二零零六年推出降低稀土出口配額、減少稀土礦山開採供應及對稀土氧化物和部份稀土金屬徵收10%出口關稅等一系列政策，以加強控制稀土資源的出口供應，有利市場穩步發展，稀土產品價格於年內因而大幅回升。故縱然本集團的稀土及相關下游產品的年度銷售量較二零零五年基本持平，約4,400噸，銷售額仍上升51%至522,110,000港元。



DIVIDENDS

The Board has recommended the payment of a final dividend of HK4 cents per share for 2006. Together with the interim dividend of HK1 cent already paid, total dividend for the year was HK5 cents per share. Subject to the approval of shareholders at the forthcoming Annual General Meeting to be held on 1 June 2007, the final dividend will be paid on or before 15 June 2007 to registered shareholders as at 1 June 2007.

The Register of Members will be closed from 29 May to 1 June 2007, both days inclusive. During this 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 Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, for registration not later than 4:00 p.m. on 28 May 2007.

BUSINESS REVIEW

Rare Earth Business

During the year under review, the Chinese Government continued to implement a series of environmental protection and energy conservation measures, and that drove a number of small and sub-standard rare earth manufacturers out of the consolidating market. Furthermore, helped by other Government policies introduced during the year to aid stable growth of the rare earth market including reducing the export quota for rare earth, restricting the output of rare earth mines and imposing a 10% export tax on rare earth oxide products and certain rare earth metals to restrict export of rare earth resources, the market of rare earth products grew steadily and their prices surged notably. Although total sales volume of the Group's rare earth and downstream products was maintained at the 2005 level of approximately 4,400 tonnes, total sales value surged 51% to HK\$522,110,000.

二零零六年，磁性材料應用行業發展迅速，帶動鐳、釹、銻、鐳四類產品的需求增長，產品價格亦隨之而大幅上升。當中，氧化鐳和氧化鐳於二零零六年的平均價格比對二零零五年時上漲了約七成，而氧化釹的價格更錄得一倍以上的升幅。此四類稀土元素的產品已約佔本集團稀土產品銷售額的一半。另一方面，鐳、鐳系的產品由於市面仍然積壓大量存貨，售價維持於較低水平，故該等產品只約佔本集團二零零六年稀土產品銷售額的5%。而由於世界各地對環保意識的提高，主要應用在節能燈的鈣鎢共沉亦繼續看俏，其銷售量較二零零五年增長了約五成。熒光材料方面，銷售量亦有約五成的增長。故在規模效益下，儘管熒光材料平均售價只有約一成升幅，其毛利率已升至三成以上。



成本方面，由於中國中央政府進一步控制稀土資源的供應，整頓和規範礦產資源的開採，再加上江西、包頭兩大稀土礦系的地方保護主義，一度造成稀土礦源緊張，致使各類稀土礦產的價格持續上漲，與二零零五年平均價比較上漲了兩成至八成不等。然而由於本集團擁有規模優勢，與各供應商關係良好，並早已做好礦源供應的準備，故能維持正常生產。然而成本的上漲抵消了部份產品售價的升幅，稀土整體業務的毛利率只上升至約19%。

市場分佈方面，隨著中國國內對磁性材料及熒光材料需求的快速增長，故雖然其他地區的銷售額均有所提升，中國市場佔本集團稀土銷售的比例仍攀升至約78%。

In 2006, driven by the rapid growth of industries that consume magnetic materials, demand for praseodymium, neodymium, terbium and dysprosium rose and so did their prices. The average prices of praseodymium oxide and dysprosium oxide in 2006 increased by about 70% as compared with 2005, while the price of neodymium oxide surged more than one fold. These four rare earth elements accounted for about half of the sales amount of the Group's rare earth business. With customers having stocked up on lanthanum and cerium, prices of the two products remained low and they together accounted for only about 5% of the Group's rare earth sales in 2006. Growing global awareness of the need to protect the environment boosted the demand for the mixture of yttrium and europium which used in energy-saving lighting products. Its sales volume went up about 50% as compared with 2005. The sales volume of fluorescent materials also increased by about 50%. The sales price of fluorescent materials rose about 10%, but benefiting from economy of scale, the gross profit margin of these products increased to over 30%.

Regarding production cost, the Chinese Government has tightened control on rare earth resources supply and stepped up regulation and restrictions on mining of mineral resources. Protectionism of the two major rare earth sources in Jiangxi and Baotou respectively also led to tense supply and in turn continuous rise in prices of rare earth ores. As a result, the average price of various rare earth ores increased by between 20% and 80% when compared with 2005. With economy of scale advantage, good relationship with suppliers and preparation well in advance, the Group was able to secure ore supply and maintain normal operation. However, with rise in product prices partially offset by increase in raw materials costs, the gross profit margin of the Group's rare earth business segment only increased to approximately 19%.

As for business performance by market, all the Group's different markets reported growth in sales. However, as demand in the PRC for magnetic materials and fluorescent materials surged very rapidly, the PRC market climbed to about 78% of the Group's rare earth sales.

耐火材料業務

本集團的耐火材料業務於回顧年內有了新的發展，主要在於逐步改變產品組合，提高具有較高毛利率的產品如高溫陶瓷及鎂砂等所佔的銷售比例，以提升整體的利潤表現。回顧年內，本集團共售出約52,000噸一般耐火材料、約26,000噸高溫陶瓷，及約31,000噸新增的電熔鎂砂。營業額增長20%至508,972,000港元。產品方面，電熔鎂鉻磚、鋁碳磚及不定形澆注料繼續是本集團一般耐火材料的主要產品，其於二零零六年的銷售額合共達1.5億港元以上。成本方面，主要原材料如鎂英砂、鎂砂及鎂精礦等的價格相對穩定。毛利率方面，回顧年內本集團的一般耐火材料、高溫陶瓷及電熔鎂砂的平均毛利率分別約為34%、42%及48%，整體耐火材料業務的毛利率提升至約38%。



市場方面，雖然日本市場的營業額有約兩成增長，而歐洲市場的營業額更已增長逾兩倍至超過1,000萬港元，但由於本集團的高溫陶瓷及電熔鎂砂均以內銷為主，故其銷售比例的上升導致中國市場佔本集團整體耐火材料業務比重仍高達八成，日本及歐洲市場合共只微升至20%。

展望

隨著全球經濟持續增長，稀土技術及應用領域的不斷發展，稀土氧化物延伸產品市場需求的增長將日益加快；加上中央政府嚴格控制稀土礦源的開採，並加強對稀土產品出口的配額控制，以鼓勵行業生產更多高附加值稀土產品，這些措施將令稀土產品價格於未來數年持續攀升。本集團將繼續提升各類稀土產品，特別是高附加值深加工稀土產品的

Refractory Materials Business

The Group's refractory materials business made progress in terms of perfecting its product profile, with higher margin products such as high temperature ceramics and magnesium grains accounting for a higher proportion of sales. During the year, the Group sold around 52,000 tonnes of ordinary refractory materials, 26,000 tonnes of high temperature ceramics and 31,000 tonnes of fused magnesium grains. The turnover of the segment increased by 20% and reached HK\$508,972,000. Fused magnesite-chrome bricks, alumina-graphite bricks and unshaped casting materials continued to be the major products of the Group's ordinary refractory materials, which together accounted for turnover of over HK\$150 million. Concerning production costs, the prices of major raw materials, including zircon grains, magnesium grains and chrome concentrates were relatively stable. The gross profit margin of ordinary refractory materials, high temperature ceramics and fused magnesium grains were 34%, 42% and 48%, respectively. Gross profit margin of the whole segment increased to 38%.

Regarding business performance by market, turnover of refractory materials from Japan increased by about 20% and from Europe increased by over 200% to more than HK\$10 million. However, since the Group sells its high temperature ceramics and fused magnesium grains products mainly to the domestic market, the increase in turnover share of these products resulted in the increase in share of the PRC market to account for about 80% of the total sales of refractory materials, while turnover share from Japan and Europe increased slightly and together accounted for the remaining 20%.

PROSPECTS

Along side the booming global economy, rare earth technology and applications have continued to develop and expand. Market demand for downstream products of rare earth oxide is also increasing quickly. To encourage rare earth suppliers to supply more high value-added rare earth products, the Chinese Government has imposed strict control on rare earth mining and export quotas on rare earth products. These measures will keep rare earth product prices on constant rise in the next few years. The Group will continue to



生產力度，以抓緊當前的機遇，冀望於未來數年內將深加工稀土產品營業額的比例由現時佔稀土產品營業額約不足兩成增至五成。

以熒光材料為例，中國近年對環保節能項目高度關注，並為二零零八年北京舉辦奧運會而全力推廣使用節能燈具；澳洲政府亦將於二零一零年前逐步以節能燈全面代替傳統燈泡；歐洲各國亦於二零零七年三月的歐盟會議上決定在二零零九年前在個人家庭中逐步淘汰傳統燈泡而改用節能燈，這些因素均令熒光材料的需求不斷提升。本集團對熒光材料的業務前景非常樂觀，並已準備增添設備，將繼續致力拓展這項業務。



另外，現時本集團正積極進行其他稀土深加工產品的調研工作，當中包括擁有龐大市場需求的汽車廢氣處理催化劑，以爭取盡快研製出新的應用產品推出市場。



近年，許多跨國企業將生產基地移師中國，而部份更與中國的企業進行戰略性合作，在取得成本優勢的同時，更有利進軍龐大的中國市場。為把握商機，本集團繼於去年初與美國通用電器集團訂立策略聯盟協議後，將積極尋求與其他跨國企業合作，以提升市場競爭力和擴大業務範疇。此外，本集團亦將繼續研究稀土礦山資源的投資機會，務求早日形成縱向產業鏈。

耐火材料業務方面，除加強現有業務的投入與發展外，本集團將實現產品多元化，擴展先進耐火材料產品種類。本集團利用附屬公

enhance its rare earth products, especially in the production of value-added downstream rare earth products, to help it capture existing market opportunities. It targets to increase the proportion of downstream rare earth products from less than 20% at present to 50% of the turnover of rare earth products in a few years.

Taking fluorescent materials as an example, the Chinese Government's support of energy saving and environmental protection projects and promotion of energy-saving lightings in the advent of the 2008 Beijing Olympics, the plan to replace conventional light bulbs with energy-saving ones in Australia by 2010 and the resolution of European Union countries in March this year to replace traditional light bulbs by energy-saving ones for household use by 2009 will all translate into rising demand for fluorescent materials. Thus, the Group is very optimistic about the prospects of the product type and will continue to invest in facilities to grow this segment.

The Group is actively pursuing research on other value-added downstream rare earth products including catalysts for automobile exhaust gas treatment, which poses immense market potential, and will strive to launch new products as soon as possible.

In recent years, many multinational enterprises have moved their production bases to China. Some of them are in strategic cooperation with Chinese enterprises to enjoy cost advantage and convenience in tapping the lucrative Chinese market. To fully capture emerging opportunities, the Group has been actively exploring cooperative opportunities with other multinational enterprises after it formed strategic alliance with General Electric early last year. Such endeavors will enhance the Group's market competitiveness and allow it to diversify and expand its business scope. The Group will also continue to look for opportunities to invest in rare earth mines so as to speed up creation of a vertical industrial chain.

As for the refractory materials business, apart from allocating more resources into developing existing business, the Group will also strive to diversify the segment's product offerings and broaden the

司蘇海鎂礦在電熔鎂砂業務的切入，再發展高純鎂砂業務。新項目計劃將分三期自行建造，預算總投資額約為4至5億港元，並將於未來兩年至三年內完成。第一期建設工程已經展開，預期將於二零零七年底前落成投產，屆時將能年產5萬噸高純鎂砂。第一期工程完成後按情況展開第二及第三期工程。當整項投資計劃相繼完成後，高純鎂砂的總年產量將能達15萬噸。這將能為本集團的耐火材料業務提供穩定的原料供應，有助控制成本；而由於高純鎂砂的毛利率較一般耐火材料為高，屆時新生產線將為本集團增添可觀的收入來源。



除上述的大型投資項目外，本集團將持續改良現有生產設備。稀土業務方面，本集團於二零零七年第一季度完成了純水生產線並已開始投入運作。此將廉價地提供稀土分離時所需要的工業用純水。另一方面，用於耐火材料業務上的原材料破碎車間亦將於二零零七年中完成。此亦將能有效地提升生產效率及降低生產成本。

公共關係

本集團一向重視公司透明度，與機構投資者及分析員作雙向溝通。本集團經常和基金經理及分析員會面，向他們發放有關本集團業務之財務及其他資料，並向股東、分析員及有興趣人士派發中期及年度報告，提供本集團業務之詳盡資料。本集團亦經常與傳媒保持聯絡，並將本集團之新聞稿、公告及公開資料即時發佈予傳媒，闡述最新之業務動向及發展計劃，讓大眾瞭解本集團之業務運作，促進與大眾之溝通。

range of advanced refractory materials products. Riding on its subsidiary Suhai Magnesium's fused magnesium grains business, the Group will develop high purity magnesium grains business. Construction of the new plant will be in three phases to take place over two to three years with total investment estimated at around HK\$400 million to HK\$500 million. Construction of phase one of the plant had begun with production scheduled for the end of 2007. The planned annual production capacity of phase one will reach 50,000 tonnes of high purity magnesium grains. Upon the completion of the second and third phases subject to the market demand after the first phase is completed, the total annual production capacity of the new plant will be as high as 150,000 tonnes. This will enable the Group to secure stable supply of raw materials for its refractory materials business, and thus effectively control costs. Since the gross profit margin of high purity magnesium grains is higher than the ordinary refractory materials, the new production line is set to become a significant income source of the Group.

Apart from the above large-scale investment project, the Group will continue to enhance its production facilities. For rare earth business, the new pure water production workshop was completed and commenced operation in the first quarter of 2007. This facility will provide pure water for use in the separation of rare earth at low cost. Furthermore, construction of a new workshop for crushing raw materials of refractory products will be completed in mid 2007, which will also help improve the Group's production efficiency and save cost.

PUBLIC RELATIONS

The Group recognises the importance of running a highly transparent operation and maintains two-way communication with investors and analysts. It meets with fund managers and analysts regularly to keep them up-to-date on the Group's financial and other information. It also distributes its annual and interim reports with detail information of its business to shareholders, analysts and any interested parties. The Group is also in regular contact with the media and dispatch news releases, circulars and other public information in a timely manner to them, detailing information of the Group's latest business development and plans. In doing so, the Group is able to keep the public informed of the status of its operation and enhance communication with the community.

股份配售

本公司於二零零六年進行了兩次資金籌集活動。於二零零六年三至四月期間，本公司以每股售價1.38港元配售了197,390,000股新增股份。交易完成後，本集團已發行股份數目增加至1,184,343,059股，公眾流通量增加至49%以上。扣除費用後本集團共籌集了約264,120,000港元，所得款項淨額撥作一般營運資金。

於二零零六年十一月，本公司再以每股售價1.46港元配售236,800,000股新增股份。交易完成後，本集團已發行股本增加至1,421,143,059股，公眾流通量增加至約58%，扣除費用後本集團籌得約330,910,000港元，所得款項淨額中約70%用作投資建設高純鎂砂生產設施，餘額則撥作一般營運資金。截至二零零六年十二月三十一日，本集團已對高純鎂砂投資項目投入約1.2億港元。

流動資金及財務資源

通過兩次新增股份配售活動後，本公司的流動資金大幅增加。於二零零六年十二月三十一日，本集團持有現金及所有銀行存款約763,414,000港元，其中包括約值99,790,000港元的存款已抵押作為銀行信貸額擔保。透過抵押存款，本集團獲得了銀行貸款人民幣95,000,000元。本集團於年末的流動資產淨額約為1,327,318,000港元。總負債對總資產的比率約為9%。

除上述之抵押存款外，本集團並無其他資產已被抵押，亦無重大或然負債。

PLACING OF SHARES

The Company conducted two fund raising activities in 2006. In March and April 2006, the Company placed 197,390,000 new shares at HK\$1.38 per share after which the total number of issued shares of the Group was increased to 1,184,343,059 with public float increased to over 49%. The net proceeds from the placing intended for general capital use amounted to approximately HK\$264,120,000.

In November 2006, the Company entered into an agreement to place 236,800,000 new shares at HK\$1.46 per share after which the total number of issued shares of the Group was increased to 1,421,143,059 with public float increased to approximately 58%. The net proceeds from the placing amounted to approximately HK\$330,910,000, approximately 70% will be for investing into the construction of the high purity magnesium grains production facility and the balance will be used as general working capital of the Group. As at 31 December 2006, the Group had invested HK\$120 million in the high purity magnesium grains project.

LIQUIDITY AND FINANCIAL RESOURCES

After two placing activities, the Group's liquidity improved markedly. The Group had cash and all bank balances of approximately HK\$763,414,000 as at 31 December 2006, of which bank deposit valued at HK\$99,790,000 was pledged as guarantee for banking facilities and upon which a bank loan of RMB95,000,000 was obtained. The Group had net current assets of approximately HK\$1,327,318,000 as at the end of the year. Total liabilities to total assets ratio was 9%.

Apart from the deposit pledged as stated above, the Group had no other charge on assets. There is no material contingent liability.

本集團並無面臨重大的息率風險。匯率方面，本集團大部份之資產、負債及交易均以人民幣結算，另部份以美元及港元列值。鑑於美元及港元的匯率相對穩定，且以美元結算的出口銷售回籠較快，故於回顧期內人民幣的升值並未為本集團帶來重大的匯率風險，相反在財務報表上折合為港元時更出現匯兌收益。

僱員及薪酬

於二零零六年十二月三十一日，本集團僱用員工約1,500人，包括多名大學畢業生及經驗豐富的專業翹楚。本集團為員工提供完善的薪酬及福利制度，包括購股權計劃以鼓勵員工對本集團的貢獻。回顧年內，僱員成本包括董事酬金合計約為26,829,000港元。另外，本集團亦不時為員工提供培訓及招聘人才，以保持員工的競爭能力。

致謝

本集團能有今天的成績，實有賴全體員工多年來努力不懈，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。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

香港，二零零七年四月十八日

The Group was not exposed to material interest rate risk. Regarding foreign exchange, most of the Group's assets, liabilities and transactions are denominated in Renminbi, while some are in US dollars or Hong Kong dollars. As the exchange rate of US dollars and Hong Kong dollars were relatively stable and export sales settled in US dollars usually has shorter collection period, the Group was not exposed to material foreign exchange risk despite appreciation of the Renminbi. On the contrary, the Group had an exchange gain upon translation of the financial statements into HK dollars.

STAFF AND REMUNERATION

As at 31 December 2006, the Group had a workforce of approximately 1,500 including young graduates and experienced professionals. The Group adopts a comprehensive staff remuneration and welfare system, including share option scheme, to motivate staff to contribute to the Group. During the year, approximately HK\$26,829,000 was incurred in staff costs including directors' emoluments. The Group also provided regular staff training and recruited new talents to maintain competitiveness.

APPRECIATION

The Group is able to report success because of the hard work of its staff and the unwavering support and trust of shareholders, investors, customers, suppliers and business partners over the years. On behalf of the Board and the management, I give my heartfelt thanks to them all.

Jiang Quanlong
Chairman

Hong Kong, 18 April 2007

執行董事

蔣泉龍先生，54歲，本集團創辦人及主席。蔣先生負責制訂本集團整體業務發展政策。蔣先生獲江蘇省人事廳評定具高級經濟師資格。蔣先生在稀土及耐火材料行業擁有逾二十年經驗。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，47歲，本集團創辦人及副主席，兼為本集團行政總裁。錢女士負責本集團整體管理工作及專責本集團業務的市場推廣工作。錢女士獲江蘇省人事廳評定具高級經濟師資格，另外亦獲得中國職業經理人資格。錢女士在稀土及耐火材料行業方面擁有逾十五年經驗。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泉龍先生之妻子。

許盤鳳女士，42歲，於一九八七年加入本集團，至二零零五年八月獲委任為執行董事，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。

蔣才南先生，48歲，於一九八六年加入本集團，至二零零五年八月獲委任為執行董事。蔣先生亦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。

EXECUTIVE DIRECTORS

Mr Jiang Quanlong, aged 54, is a founding member and the chairman of the Group. Mr Jiang is responsible for the formulation of the Group's overall business development policies. Mr Jiang is recognised as a senior economist by Jiangsu Provincial Personnel Department. Mr Jiang has over 20 years of experience in the rare earth and refractory materials industry. 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 47, is a founding member and the deputy chairman of the Group. Ms Qian is also the chief executive officer of the Group. Ms Qian is responsible for the overall management of the Group and has particular responsibility for the marketing aspect of the Group's business. Ms Qian is recognised as a senior economist by Jiangsu Provincial Personnel Department, and she is also qualified as a Chinese Career Manager. Ms Qian has over 15 years of experience in the rare earth and refractory materials industries. Prior to the founding of the Group, Ms Qian was a high school teacher. Ms Qian is the wife of Mr Jiang Quanlong, the chairman of the Group.

Ms Xu Panfeng, aged 42, joined the Group in 1987 and was appointed as an executive director in August 2005. Ms Xu is responsible for the sales of rare earth business. Ms Xu has extensive experience in production and marketing of rare earth industry.

Mr Jiang Cainan, aged 48, joined the Group in 1986 and was appointed as an executive director in August 2005. Mr Jiang is also the general manager of Yixing Xinwei Refractory Materials Company Limited. Mr Jiang is responsible for the operation of the refractory materials business. Mr Jiang has over 20 years of experience in refractory materials industry.

獨立非執行董事

劉余九先生，73歲，於一九九九年加入本集團，為本公司獨立非執行董事。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，42歲，於二零零一年加入本集團，為本公司獨立非執行董事。黃先生是本港一家上市公司的副主席，於二零零零年至二零零四年亦曾是該公司的財務總監。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。

金重先生，55歲，於二零零四年加入本集團，為本公司獨立非執行董事。金先生在武漢鋼鐵學院材料工程學系耐火專業專科畢業，曾在貴陽市耐火材料廠總廠出任副總工程師。

公司秘書

羅納德先生，37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。羅先生原任職於某國際會計師行，擁有逾七年經驗。

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr Liu Yujiu, aged 73, joined the Group in 1999 as an independent non-executive director of the Company. 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 42, joined the Group in 2001 as an independent non-executive director of the Company. Mr Huang is the deputy chairman of a listed company in Hong Kong and served as chief financial officer of that company from 2000 to 2004. Mr Huang is Ph.D of Marketing and MBA of University of Strathclyde. Mr Huang was previously China analyst of HSBC Securities Asia Ltd and a senior investment analyst of China Research of CLSA Emerging Markets.

Mr Jin Zhong, aged 55, joined the Group in 2004 as an independent non-executive director of the Company. Mr Jin graduated from the Faculty of Material Engineering of Wuhan Steel College, specializing in refractory studies. Mr Jin was previously the deputy chief engineer of the head factory of Guiyang City Refractory Materials Factory.

COMPANY SECRETARY

Mr Law Lap Tak, aged 37, 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 Institute of Certified Public 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.

高級管理層

樓吉翔先生，55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，在稀土和金屬行業擁有逾二十年的經驗。

俞正明先生，71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，38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，30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，45歲，於二零零四年加入本集團，現任無錫新威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。

SENIOR MANAGEMENT

Mr Lou Jixiang, aged 55, 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 Yu Zhengming, aged 71, 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 38, joined the Group in 1998. 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 30, 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 45, joined the Group in 2004. Mr Wang is the general manager of Wuxi Xinwei High Temperature Ceramics Company Limited and is responsible for the operation of the high temperature ceramics business. Mr Wang has over 10 years of experience in administrative management and sales aspects.

蔣介平先生，50歲，於二零零五年加入本集團，現任海城市蘇海鎂礦有限公司總經理，主管鎂砂業務之運作。蔣先生擁有豐富的生產管理及財務管理的經驗。

Mr Jiang Jieping, aged 50, joined the Group in 2005. Mr Jiang is the general manager of Haicheng City Suhai Magnesium Ore Company Limited and is responsible for the operation of magnesium grains business. Mr Jiang has extensive experience in production management and financial management.

趙建文先生，40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。

Mr Zhao Jianwen, aged 40, joined the Group in 1987. Mr Zhao is the head of technology department of the Yixing Xinwei Leeshing Rare Earth Company Limited. Mr Zhao has over 10 years of experience in rare earth industry.

陳良平先生，59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。

Mr Chen Liangping, aged 59, 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.

桑原禮次郎先生，64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 Reijiro Kuwahara, aged 64, 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 extensive experience in production and administration of refractory materials.

企業管治常規

本公司致力於設立良好之企業管治常規及程序。本公司已根據香港聯合交易所有限公司證券上市規則（「上市規則」）附錄十四所載之企業管治常規守則（「企業管治常規守則」）所載列之原則及守則條文採納其本身之企業管治守則。於截至二零零六年十二月三十一日止年度內，本公司一直遵守上市規則附錄十四所載之守則條文。

董事進行證券交易

本公司已就董事進行證券交易採納一套條款嚴格程度不遜於上市規則附錄十所載規定準則之守則。本公司於作出特定查詢後確認所有董事於截至二零零六年十二月三十一日止年度內一直遵守守則所述之規定準則。

董事會組成

本公司由董事會規管，董事會負責指導及監察本公司之事務，並監督本集團之業務、決策及表現。董事會委派管理人員執行其決策及日常運作。全年內，董事會包括四位執行董事及三位獨立非執行董事如下：

執行董事：蔣泉龍先生（主席）、錢元英女士（副主席兼行政總裁）、許盤鳳女士及蔣才南先生。

獨立非執行董事：劉余九先生、黃春華先生及金重先生。

CORPORATE GOVERNANCE PRACTICES

The Company is committed to the establishment of good corporate governance practices and procedures. The Company has adopted its own code of corporate governance based on the principles and code provisions as set out in the Code on Corporate Governance Practices (the “CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). During the year ended 31 December 2006, the Company has complied with the code provisions set out in Appendix 14 of the Listing Rules.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 of the Listing Rules. Having made specific enquiry, the Company confirms that all directors have complied with the required standards as stated in the code throughout the year ended 31 December 2006.

BOARD COMPOSITION

The Company is governed by a Board of directors which is responsible for directing and supervising its affairs and oversight of the Group’s businesses, strategic decision and performance. Execution of the Board’s decisions and daily operations are delegated to the management. Throughout the year, the Board comprises four executive directors and three independent non-executive directors as follows:

Executive directors: Mr Jiang Quanlong (Chairman), Ms Qian Yuanying (Deputy Chairman and Chief Executive Officer), Ms Xu Panfeng and Mr Jiang Cainan.

Independent non-executive directors: Mr Liu Yujiu, Mr Huang Chunhua and Mr Jin Zhong.

董事會組成 (續)

董事會於年內舉行了七次會議。出席會議之詳情如下：

董事	出席會議
蔣泉龍	7/7
錢元英	7/7
許盤鳳	7/7
蔣才南	7/7
劉余九	7/7
黃春華	7/7
金重	7/7

董事培訓

每名新獲委任董事於其任期開始時接受綜合、正規及特定之開導，以確保其適當瞭解本公司之業務及營運，並完全知悉根據上市規則及有關法規規定其須履行之責任及義務。

倘有需要，本公司亦有適當安排向董事提供持續指導及專業發展。

會議常規及操守

董事會定期會議之通告至少於會議舉行日期前14天送呈全體董事。就其他董事會及委員會會議而言，一般亦發出合理之通告。

董事會文件連同所有合適、完整及可靠之資料均至少於每次董事會會議或委員會會議舉行日期前3天送呈全體董事，以讓董事評估本公司最近之發展及財務狀況，並讓彼等能夠作出知情決定。董事會及各位董事亦於必要時可分別及獨立接觸高級管理人員。

BOARD COMPOSITION (Continued)

The Board held seven meetings during the year. Details of the attendance are as follows:

Director	Attendance
Jiang Quanlong	7/7
Qian Yuanying	7/7
Xu Panfeng	7/7
Jiang Cainan	7/7
Liu Yujiu	7/7
Huang Chunhua	7/7
Jin Zhong	7/7

TRAINING FOR DIRECTORS

Each newly appointed director receives comprehensive, formal and tailored induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

There are also arrangements in place for providing continuing briefing and professional development to directors whenever necessary.

PRACTICES AND CONDUCT OF MEETINGS

Notices of regular Board meetings are served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each Board meeting or committee meeting to keep the directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management whenever necessary.

會議常規及操守 (續)

公司秘書負責編撰及保管所有董事會會議及委員會會議記錄。草擬的記錄一般於每次會議後在合理時間內給董事傳閱以發表意見，而最後之版本公開供董事查閱。

根據現時之董事會常規，涉及主要股東或董事利益衝突之任何重大交易將由董事會於正式召開之董事會會議上考慮及處理。

主席及行政總裁

儘管董事會主席蔣泉龍先生乃行政總裁錢元英女士之丈夫，惟彼等之角色及職責乃分開。主席負責制定本集團之整體業務發展政策，而行政總裁負責本集團業務之整體管理。

獨立非執行董事

本公司之獨立非執行董事乃才能超卓之專業人士，具有財務管理及本集團相關業務方面之專業技術及經驗。彼等就策略發展向本公司提供建議，並使董事會能夠於遵守財務及其他強制性申報規定方面維持高水準，並提供足夠之檢查及平衡，以保護股東及本公司之整體利益。每位獨立非執行董事已與本公司訂立服務合約，為期兩年。本公司已接獲全體獨立非執行董事就其獨立性作出之書面確認。董事會認為彼等均獨立。

PRACTICES AND CONDUCT OF MEETINGS (Continued)

The Company Secretary is responsible to take and keep minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and the final version is open for directors' inspection.

According to current Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Although Mr Jiang Quanlong, the Chairman of the Board, is the husband of Ms Qian Yuanying, the Chief Executive Officer, their roles and responsibilities are separated. The Chairman is responsible for the formulation of the Group's overall business development policies while the Chief Executive Officer is responsible for the overall management of the Group's business.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive directors of the Company are highly skilled professionals with expertise and experience in the field of financial management and businesses related to the Group. They advise the Company on strategy development and enable the Board to maintain high standards of compliance of financial and other mandatory reporting requirements and provide adequate checks and balances to safeguard the interests of shareholders and the Company as a whole. Each of the independent non-executive directors has entered into a service contract with the Company for a term of two years. The Company has received written confirmations from all independent non-executive directors concerning their independence. The Board considers that all of them are independent.

審核委員會

審核委員會包括本公司之所有獨立非執行董事，即劉余九先生、黃春華先生及金重先生。劉余九先生為該委員會之主席。審核委員會於年內已舉行定期會議，並已審閱本公司所採納之會計政策及慣例及討論審核、內部控制及財務申報事宜，包括審閱本公司本年度之中期及全年業績。

本公司任何股東如有要求，可向公司秘書瞭解審核委員會職權範圍（均遵守企業管治常規守則）。

於本年度，審核委員會舉行了兩次會議。董事出席會議之情況如下：

董事	出席會議
劉余九	2/2
黃春華	2/2
金重	2/2

董事之薪酬

薪酬委員會包括董事會主席蔣泉龍先生及本公司之所有獨立非執行董事，即劉余九先生、黃春華先生及金重先生。蔣泉龍先生為該委員會之主席。

薪酬委員會之主要職能為向董事會提供本公司董事及高級管理人員薪酬政策及結構方面之推薦意見，並檢討彼等之具體薪酬組合。

本公司任何股東如有要求，可向公司秘書瞭解薪酬委員會之職權範圍（均遵守企業管治常規守則）。

AUDIT COMMITTEE

The audit committee comprises all independent non-executive directors of the Company, namely, Mr Liu Yujiu, Mr Huang Chunhua and Mr Jin Zhong. The committee is chaired by Mr Liu Yujiu. The audit committee has held regular meetings during the year and it has reviewed the accounting principles and practices adopted by the Company and discussed auditing, internal control and financial reporting matters, including the review of the interim and annual results of the Company for the year.

The terms of reference of the audit committee, which are in compliance with the CG Code are available from the Company Secretary upon request from any shareholders of the Company.

During the year, there were two audit committee meetings. Attendance of the directors were as follow:

Director	Attendance
Liu Yujiu	2/2
Huang Chunhua	2/2
Jin Zhong	2/2

REMUNERATION OF DIRECTORS

The remuneration committee comprises Mr Jiang Quanlong, the Chairman of the Board, and all independent non-executive directors of the Company, namely, Mr Liu Yujiu, Mr Huang Chunhua and Mr Jin Zhong. The committee is chaired by Mr Jiang Quanlong.

The principal function of the remuneration committee is to make recommendations to the Board of directors on the Company's policy and structure for the remuneration of directors and senior management, and to review their specific remuneration package.

The terms of reference of the remuneration committee, which are in compliance with the CG Code are available from the Company Secretary upon request from any shareholders of the Company.

董事之薪酬(續)

於本年度，審核委員會舉行了一次會議。董事出席會議之情況如下：

董事	出席會議
蔣泉龍	1/1
劉余九	1/1
黃春華	1/1
金重	1/1

在該會議上，薪酬委員會檢討了薪酬政策及對董事之薪酬組合作出了建議。

董事提名

本公司現時並無提名委員會。根據本公司之組織章程細則，董事會有權委任任何人士為董事，以填補臨時空缺或作為董事會之新增成員。提名須考慮獲提名人士之資格、能力及對本公司有可能作出之貢獻。董事會認為現時之董事會組成洽當。

董事輪值退任

根據於二零零六年六月十五日舉行之股東週年大會上通過的特別決議案，本公司修訂了組織章程細則，訂明每位董事須至少每三年輪值退任一次。於應屆股東週年大會上，蔣泉龍先生、錢元英女士及黃春華先生將輪值退任。

核數師之酬金

年內，本公司就核數師提供之法定審核服務（包括中期審閱）支付之酬金為1,420,000港元。核數師並無提供任何其他非審核服務。

REMUNERATION OF DIRECTORS (Continued)

During the year, there was one remuneration committee meeting. Attendance of the directors were as follow:

Director	Attendance
Jiang Quanlong	1/1
Liu Yujiu	1/1
Huang Chunhua	1/1
Jin Zhong	1/1

During the meeting, the remuneration committee reviewed the remuneration policy and recommended the remuneration packages of directors.

NOMINATION OF DIRECTORS

The Company does not have a nomination committee at present. According to the Articles of Association of the Company, the Board of directors has the power to appoint any person as a director either to fill a causal vacancy or as an addition to the Board. The nomination should be taken into consideration of the nominee's qualifications, ability and potential contributions to the Company. The Board considers that the current Board composition is appropriate.

ROTATION OF DIRECTORS

Pursuant to the special resolutions passed at the annual general meeting held on 15 June 2006, the Company amended the Articles of Association to specify that every director should be subject to retirement by rotation at least every three years. At the forthcoming annual general meeting, Mr Jiang Quanlong, Ms Qian Yuanying and Mr Huang Chunhua will retire by rotation.

AUDITORS' REMUNERATION

During the year, the remuneration in respect of statutory audit services (including interim review) provided by the auditors of the Company was HK\$1,420,000. There was no other non-audit service provided by the auditors.

董事對財務報表所負之責任

編製真實及公平地反映本集團財務狀況及各個財政期間之業績及現金流量之財務報表乃董事之責任。於編製財務報表時，董事須確保採納適當會計政策。財務報表乃按持續經營基準編製。

內部控制

董事會全面負責維持本集團內部控制之適當系統並檢討其效率。董事會已委派管理人員實施及評估內部控制系統。藉由外聘顧問的協助，本集團進行了內部控制系統的檢討，並將主要結果向審核委員會匯報。該檢討涵蓋有關財務、營運、合規及風險管理的主要及重要控制範疇。

股東權利及投資者關係

股東之權利及要求於股東大會上以投票方式表決決議案之程序載於本公司之組織章程細則內。有關權利及程序之詳情已載於致股東以召開股東大會之所有通函內，並於會議進行期間內作出解釋。倘要求以投票方式表決，則會就進行投票之詳細程序作出解釋。

投票結果將登載於本公司及香港聯合交易所有限公司網站上。

本公司股東大會為股東及董事會提供溝通之機會。董事會主席以及審核委員會及薪酬委員會之主席（或於其缺席之情況下，其正式委任之代表）將於股東大會上回答提問。

DIRECTORS' RESPONSIBILITIES ON THE FINANCIAL STATEMENTS

It is the directors' responsibility for the preparation of financial statements which give a true and fair view of the state of affairs of the Group and the results and cash flows for each financial period. In preparing the financial statements, the directors have to ensure that appropriate accounting policies are adopted. The financial statements are prepared on a going concern basis.

INTERNAL CONTROLS

The Board has overall responsibility for maintaining an adequate system of internal controls of the Group and for reviewing its effectiveness. The Board has delegated to the management the implementation and evaluation of the system of internal controls. With the assistance of an external advisor, the Group has conducted a review of the effectiveness of the Group's system of internal control and reported the key findings to the audit committee. The review covers major and material controls in areas of financial, operational and compliance controls and risk management functions.

SHAREHOLDER RIGHTS AND INVESTOR RELATIONS

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are contained in the Company's Articles of Association. Details of such rights and procedures are included in all circulars to shareholders convening shareholders' meetings and will be explained during the proceedings of meetings. Whenever voting by way of a poll is required, the detailed procedures for conducting a poll will be explained.

Poll results will be posted on the websites of the Company and of The Stock Exchange of Hong Kong Limited.

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. The Chairman of the Board as well as chairmen of the audit committee and remuneration committee, or in their absence, their duly appointed delegates are available to answer questions at the shareholders' meetings.

股東權利及投資者關係(續)

每項主要事項(包括選舉個別董事)將於股東大會上以單獨決議案提呈。

本公司繼續加強與其投資者之溝通及聯繫。獲指派之高級管理人員維持定期與機構投資者及分析員交談，以讓彼等瞭解本公司之最新發展情況。投資者之查詢以具資訊性及適時方式處理。

為促進有效溝通，本公司亦設有一個網站，於 www.creh.com.hk，廣泛登載本公司業務發展及營運之最新訊息、財務訊息及其他訊息。

SHAREHOLDER RIGHTS AND INVESTOR RELATIONS
(Continued)

Separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors.

The Company continues to enhance communications and relationships with its investors. Designated senior management maintain regular dialogue with institutional investors and analysts to keep them abreast of the Company's developments. Enquiries from investors are dealt with in an informative and timely manner.

To promote effective communication, the Company also maintains a website at www.creh.com.hk, where extensive information and updates on the Company's business developments and operations, financial information and other information are posted.

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（「本集團」）截至二零零六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綜合財務報表附註30。

分類資料

本集團分類資料的詳情載於綜合財務報表附註6。

業績及分派

本集團於截至二零零六年十二月三十一日止年度的業績載於本年報第42頁的綜合損益表內。

年內已宣佈及派發中期股息每股1港仙予股東。董事會現建議派發截至二零零六年十二月三十一日止年度的末期股息每股4港仙予於二零零七年六月一日名列股東名冊的股東。

本公司可供分派之儲備

本公司可供派發之儲備包括股份溢價賬及累計溢利。於二零零六年十二月三十一日，本公司可供分派給股東的儲備為1,295,291,000港元。

The directors have pleasure in presenting their annual report and the audited financial statements of China Rare Earth Holdings Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2006.

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 30 to the consolidated financial statements.

SEGMENTAL INFORMATION

Details of segmental information of the Group are set out in Note 6 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2006 are set out in the consolidated income statement on page 42 of the annual report.

An interim dividend of HK 1 cent per share was declared and paid to the shareholders during the year. The directors recommend the payment of a final dividend of HK4 cents per share for the year ended 31 December 2006 to the shareholders on the Register of Members on 1 June 2007.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution comprise the share premium account and accumulated profits. As at 31 December 2006, the reserves of the Company available for distribution to shareholders amounted to HK\$1,295,291,000.

財務概要

本集團於截至二零零六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100頁。

物業、廠房及設備以及在建工程

本集團於年內的物業、廠房及設備以及在建工程的變動詳情載於綜合財務報表附註16。

股本

本公司於二零零六年十二月三十一日的法定及已發行股本詳情載於綜合財務報表附註25。

借貸

本集團於二零零六年十二月三十一日的銀行借貸詳情載於綜合財務報表附註24。

退休金計劃

本集團的退休金計劃詳情載於綜合財務報表附註11。

FINANCIAL SUMMARY

A summary of the results of the Group for the past five financial years ended 31 December 2006 is set out on page 100 of the annual report.

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 during the year are set out in Note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of the authorized and issued share capital of the Company as at 31 December 2006 are set out in Note 25 to the consolidated financial statements.

BORROWINGS

Details of the bank borrowings of the Group as at 31 December 2006 are set out in Note 24 to the consolidated financial statements.

RETIREMENT SCHEMES

Details of the retirement schemes of the Group are set out in Note 11 to the consolidated financial statements.

董事

年內及直至本報告刊行日期止本公司的董事為：

執行董事

蔣泉龍先生(主席)
錢元英女士(副主席)
許盤鳳女士
蔣才南先生

獨立非執行董事

劉余九先生
黃春華先生
金重先生

根據本公司的公司細則第108(A)及(B)條，蔣泉龍先生、錢元英女士及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。

於二零零六年十二月三十一日，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。

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*)
Ms Xu Panfeng
Mr Jiang Cainan

Independent non-executive directors

Mr Liu Yujiu
Mr Huang Chunhua
Mr Jin Zhong

In accordance with Articles 108(A) and (B) of the Company's Articles of Association, Mr Jiang Quanlong, Ms Qian Yuanying and Mr Huang Chunhua will retire by rotation from the Board at the forthcoming annual general meeting and being eligible, offer themselves for re-election.

As at 31 December 2006, 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

於二零零六年十二月三十一日，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標準守則而通知本公司及香港聯合交易所有限公司（「聯交所」）的本公司董事及行政總裁及其關聯人士於本公司及其相聯公司之股份、相關股份及債券的權益及淡倉如下：

DIRECTORS' INTERESTS AND SHORT POSITIONS

As at 31 December 2006, the interests and short positions of the directors and chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations as recorded in the register kept by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO") or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

1. 於本公司股份權益

董事	權益性質／身份	股份數目	佔本公司已發行股本的百分比 % to the issued share capital of the Company
Director	Nature of interest / Capacity	Number of Shares	
蔣泉龍	配偶之權益／受控公司之權益	595,200,000 (附註)	41.88%
Jiang Quanlong	Interest of spouse/Interest of controlled corporation	595,200,000 (note)	
錢元英	信託之成立人	595,200,000 (附註)	41.88%
Qian Yuanying	Founder of a trust	595,200,000 (note)	
黃春華	實益擁有人	2,268,000	0.16%
Huang Chunhua	Beneficial owner	2,268,000	

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。按證券及期貨條例第XV部之定義錢元英女士為YY Trust的成立人。蔣泉龍先生為YY Holdings Limited的唯一董事。

1. Interests in shares of the Company

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. Ms Qian Yuanying is a founder of YY Trust within the meaning under Part XV of the SFO. Mr Jiang Quanlong is the sole director of YY Holdings Limited.

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	權益性質／身份	股份類別及數目	佔該公司已發行股本中該股份類別的百分比 % in the class of shares in the issued share capital of the Company
Director	Nature of interest/ Capacity	Number and class of issued shares	
蔣泉龍	實益擁有人	無投票權遞延股份 7,000,000股	70%
Jiang Quanlong	Beneficial owner	7,000,000 non-voting deferred shares	
錢元英	實益擁有人	無投票權遞延股份 3,000,000股	30%
Qian Yuanying	Beneficial owner	3,000,000 non-voting deferred shares	

(b) 宜興新威利成稀土有限公司

(b) Yixing Xinwei Leeshing Rare Earth Company Limited

董事	權益性質／身份	股本權益百分比 % equity interest
Director	Nature of interest/Capacity	
蔣泉龍	受控公司之權益	5%
Jiang Quanlong	Interest of controlled corporation	

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。

Note:

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

(c) YY Holdings Limited

(c) YY Holdings Limited

董事	權益性質／身份	已發行股份數目	佔該公司已發行股本中該股份類別的百分比 % in the class of shares in the issued share capital of the Company
Director	Nature of interest/ Capacity	Number of issued shares	
錢元英 Qian Yuanying	信託之成立人 Founder of a trust	普通股份1股 1 ordinary share	100%
錢元英 Qian Yuanying	信託之成立人 Founder of a trust	優先股份25,000股 25,000 preference shares	100%
蔣泉龍 Jiang Quanlong	受控公司之權益 Interest of controlled corporation	普通股份1股 1 ordinary share	100%
蔣泉龍 Jiang Quanlong	受控公司之權益 Interest of controlled corporation	優先股份25,000股 25,000 preference shares	100%

附註：

YY Holdings Limited的全部已發行股本由YY Trust的受託人YYT Limited所持有，而其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。按證券及期貨條例第XV部之定義錢元英女士為YY Trust的成立人。蔣泉龍先生為YYT Limited的唯一董事。

Note:

The entire issued share capital of YY Holdings Limited 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. Ms Qian Yuanying is a founder of YY Trust within the meaning under Part XV of the SFO. Mr Jiang Quanlong is the sole director of YYT Limited.

除上述披露外，於二零零六年十二月三十一日，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或其關聯人士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 2006, none of the directors or chief executive of the Company and their associates had or was deemed to have any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporations as recorded in the register kept under Section 352 of the SFO.

購股權計劃

因應香港聯合交易所有限公司證券上市規則（「上市規則」）第17章之修訂，於二零零四年六月四日，本公司股東批准終止於一九九九年十月十四日採納之購股權計劃（「舊計劃」）及採納新的購股權計劃（「新計劃」）。於舊計劃終止時，本公司將不會根據舊計劃進一步授出購股權，惟舊計劃於所有其他方面將仍然生效以使根據舊計劃已授出而於其終止前尚未行使之購股權仍可行使。根據舊計劃之條文，該等購股權將繼續有效，並可予以行使。

新計劃之主要條款如下：

1. 新計劃旨在使本集團能向曾對本集團作出貢獻的合資格參與者授出購股權作為獎勵或回報。
2. 合資格參與者包括本公司或其任何附屬公司或本集團任何成員公司持有任何股權之任何實體之任何僱員（不論全職或兼職，包括執行董事）、任何非執行董事、任何股東、任何供應商及任何客戶，以及對本集團的發展及成長作出貢獻的任何人士。
3. 按新計劃，可予發行的總股份數目為98,695,305股，約佔於新計劃採納日期本公司已發行股本的10%。
4. 各參與者按新計劃在任何十二個月期間內可獲發行之股份數目不可超過本公司在當時已發行股本之1%。

SHARE OPTION SCHEME

On 4 June 2004, the shareholders of the Company approved the termination of the share option scheme adopted on 14 October 1999 (the “Old Scheme”) and the adoption of a new scheme (the “New Scheme”) for the purpose of coping with the amendments introduced to Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). Upon the termination of the Old Scheme, no further options would be offered pursuant to the Old Scheme but the Old Scheme would in all other respects remain in force to the extent necessary to give effect to the exercise of the outstanding options granted under it prior to its termination, and such outstanding options will continue to be valid and exercisable in accordance with the provisions of the Old Scheme.

The major terms of the New Scheme are as follows:

1. The purpose of the New Scheme is to enable the Group to grant options to the eligible participants as incentives or rewards for their contribution to the Group.
2. The eligible participants included any employee (whether full-time or part-time, including any executive director), any non-executive director, any shareholder, any supplier and any customer of the Company or any of its subsidiaries or any entity in which any member of the Group holds any equity interest, and any party having contribution to the development and growth of the Group.
3. Under the New Scheme, the total number of shares available for issue is 98,695,305 which represents approximately 10% of the issued share capital of the Company as at the date of adoption of the New Scheme.
4. The maximum entitlement of each participant under the New Scheme in any 12-month period should not exceed 1% of the issued share capital of the Company for the time being.

- | | |
|---|--|
| <p>5. 授出購股權之可行使日期可由董事會釐定，但不可於由要約日期十年後結束。</p> | <p>5. The exercisable period of an option granted may be determined by the directors and which should not end later than 10 years after the date of offer.</p> |
| <p>6. 任何授出購股權之要約可由參與者於要約日起二十一日內以付出代價1港元接納。</p> | <p>6. Any offer for the grant of an option may be accepted by the participant within 21 days from the date of offer with a consideration of HK\$1 paid.</p> |
| <p>7. 行使價可由董事會釐定，但不可少於下列各項之最高者：</p> <p>(i) 要約當日本公司股份於聯交所每日報價表所示之收市價；</p> <p>(ii) 緊接要約當日前五個營業日本公司股份於聯交所每日報價表所示之平均收市價；及</p> <p>(iii) 本公司股份面價。</p> | <p>7. The exercise price may be determined by the directors provided that it should not be less than the highest of:</p> <p>(i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet on the date of offer;</p> <p>(ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of offer; and</p> <p>(iii) the nominal value of a share of the Company.</p> |
| <p>8. 新計劃自二零零四年六月十八日，即新計劃被採納日起十年內有效。</p> | <p>8. The New Scheme is valid and effective for a period of 10 years from 18 June 2004, the date of the New Scheme adopted.</p> |

於本年內，並無購股權按舊計劃或新計劃被授出、行使、取消或失效。

During the year, no option was granted, exercised, cancelled or lapsed under the Old Scheme or the New Scheme.

於二零零六年十二月三十一日，按舊計劃已授出而尚未行使之購股權詳情如下：

Details of options which have been granted under the Old Scheme and remain outstanding as at 31 December 2006 were as follows:

被授人	授出日期	行使價	購股權數目	
			Number of options	
			於二零零六年 一月一日持有	於二零零六年 十二月三十一日持有
			Held at 1 January 2006	Held at 31 December 2006
Grantee	Date of grant	Exercise price		
員工				
<i>Employees</i>				
合計	二零零三年一月二十三日	1.10港元	1,500,000	1,500,000
In aggregate	23 January 2003	HK\$1.10		

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。

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.

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的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。

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement, which enable 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.

主要股東權益及淡倉

據董事會所知，於二零零六年十二月三十一日，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，除本公司董事及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YYT Limited所持有的公司YY Holdings Limited以實益擁有人身份持有本公司股份595,200,000股，約佔本公司已發行股份的41.88%。
2. YYT Limited被視為持有其所擁有全部已發行股本的YY Holdings Limited所持有的本公司股份595,200,000股的權益。

除上述披露外，於二零零六年十二月三十一日，根據「證券及期貨條例」第336條所存置之登記冊內所載，除本公司董事及行政總裁以外，概無其他人仕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。

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

So far as is known to the directors, as at 31 December 2006, 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, was holding 595,200,000 shares of the Company, representing approximately 41.88% of the issued share capital of the Company as beneficial owner.
2. YYT Limited was deemed to be interested in 595,200,000 shares of the Company held by YY Holdings Limited the entire issued share capital of which is held by YYT Limited.

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 2006.

董事於合約的權益

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212,000港元。

年內，本集團向一間由錢元英女士擁有權益的關連公司無錫泛亞環保科技有限公司支付約52,000港元，作為使用其辦公室的代價。

除上述及於綜合財務報表附註28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

本集團於年內概無購買、出售或贖回任何本公司之上市證券。

DIRECTORS' INTERESTS IN CONTRACTS

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\$212,000.

During the year, the Group paid approximately HK\$52,000 as a compensation to Wuxi Pan-Asia Environmental Protection Technologies Limited, a related company in which Ms Qian Yuanying has beneficial interests, for the use of an office premises.

Save as disclosed above and in Note 28 to the consolidated 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

本集團主要客戶及供應商於年內所佔的銷售及採購百分比如下：

銷售

— 最大客戶	9%
— 最大五名客戶合計	28%

採購

— 最大供應商	22%
— 最大五名供應商合計	47%

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最大五名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。

足夠公眾持股量

根據本公司從公開途徑所得的資料及據董事會所知，本公司於年內一直維持上市規則所規定的足夠公眾持股量。

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of sales and purchases for the year attributable to the Group's major customers and suppliers are as follows:

Sales

— the largest customer	9%
— five largest customers combined	28%

Purchases

— the largest supplier	22%
— five largest suppliers combined	47%

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.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained sufficient public float as required under the Listing Rules during the year.

核數師

由二零零三年始作為本公司核數師的何錫麟會計師行於二零零五年與中國的信永中和會計師事務所合併。信永中和(香港)會計師事務所有限公司因此而成立了並於二零零五年十一月十七日起取代何錫麟會計師行出任為本公司核數師。

信永中和(香港)會計師事務所有限公司任滿告退，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信永中和(香港)會計師事務所有限公司為本公司核數師的決議案。

承董事會命

蔣泉龍

主席

香港，二零零七年四月十八日

AUDITORS

Messrs. Ho and Ho & Company, who acted as the auditors of the Company since 2003, joined ShineWing Certified Public Accountants in China in 2005. As a result, SHINEWING (HK) CPA Limited was established and it replaces Messrs. Ho and Ho & Company as the auditors of the Company with effect from 17 November 2005.

SHINEWING (HK) CPA Limited retires and, being eligible, offers itself for re-appointment. A resolution to reappoint SHINEWING (HK) CPA Limited as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Jiang Quanlong

Chairman

Hong Kong, 18 April 2007



SHINEWING (HK) CPA Limited
20/F., Shui On Centre
6-8 Harbour Road, 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)

我們已完成審核中國稀土控股有限公司(「貴公司」)及其附屬公司(以下統稱「貴集團」)刊於第42頁至第99頁的綜合財務報表，包括二零零六年十二月三十一日的綜合資產負債表、截至該日止年度的綜合損益表、綜合權益變動表及綜合現金流量表以及主要會計政策概要及其他說明附註。

董事須對綜合財務報表負上的責任

貴公司董事須遵照香港會計師公會頒佈的香港財務報告準則及香港公司條例的披露規定，編製並真實兼公平地呈列此等綜合財務報表。此責任包括設計、實行及維持與編製並真實兼公平地呈列綜合財務報表有關的內部監控，以確保其並無重大錯誤陳述(不論其由欺詐或錯誤引起)；選擇並應用合適的會計政策；及在不同情況作出合理的會計估算。

TO THE SHAREHOLDERS OF
CHINA RARE EARTH HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Rare Earth Holdings Limited (the "Company") and its subsidiaries (collectively referred as the "Group") set out on pages 42 to 99, which comprise the consolidated balance sheet as at 31 December 2006, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

核數師的責任

我們的責任是根據我們審核工作的結果，對該等綜合財務報表作出獨立意見，並僅向全體股東報告，而本報告不得用於其他用途。我們不會就本報告的內容向其他人士負責或承擔任何責任。我們按照香港會計師公會頒佈的香港審計準則進行審核。該等準則要求我們遵守操守規定以及計劃及進行審核以合理確定此等綜合財務報表是否不存在重大的錯誤陳述。

審核範圍包括進程序以取得綜合財務報表所載數額及披露事項有關的審核憑證。選取的該等程序須視乎核數師的判斷，包括評估綜合財務報表的重大錯誤陳述（不論其由欺詐或錯誤引起）之風險。在作出該風險評估時，核數師將考慮與貴集團編製並真實兼公平地呈列綜合財務報表有關的內部監控，以為不同情況設計適當審核程序，但並非指在就貴集團的內部監控是否有效表達意見。審核範圍亦包括評估所有會計政策的恰當性，董事所作的會計估算的合理性，並就綜合財務報表的整體呈列方式作出評估。

我們相信，我們所取得的審核憑證就提出審核意見而言屬充分恰當。

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit 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 contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

意見

我們認為，綜合財務報表根據香港財務報告準則真實而公平地反映 貴集團於二零零六年十二月三十一日的財政狀況及 貴集團截至該日止年度的溢利和現金流量，並已按香港公司條例的披露規定適當地編製。

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2006 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

信永中和(香港)會計師事務所有限公司

執業會計師

陳永傑

執業證書編號：P03224

香港

二零零七年四月十八日

SHINEWING (HK) CPA Limited

Certified Public Accountants

Chan Wing Kit

Practising Certificate Number: P03224

Hong Kong

18 April 2007

綜合損益表 CONSOLIDATED INCOME STATEMENT

截至二零零六年十二月三十一日止年度 Year ended 31 December 2006

			二零零六年 2006 千港元 HK\$'000	二零零五年 2005 千港元 HK\$'000
			附註 NOTES	
營業額	Turnover	(7)	1,031,082	769,370
銷售成本	Cost of sales		(732,577)	(565,407)
毛利	Gross profit		298,505	203,963
利息收入	Interest income		10,066	1,804
銷售及分銷費用	Selling and distribution expenses		(23,802)	(21,698)
管理費用	Administrative expenses		(22,673)	(21,469)
其他收入淨額	Other income, net		14,974	9,067
財務成本	Finance costs	(8)	(2,995)	(21)
除稅前溢利	Profit before taxation	(9)	274,075	171,646
稅項	Taxation	(12)	(62,384)	(40,021)
本年度溢利	Profit for the year		211,691	131,625
應佔溢利：	Attributable to:			
本公司股東	Equity holders of the Company		209,255	130,207
少數股東權益	Minority interests		2,436	1,418
			211,691	131,625
股息	Dividends	(13)	68,689	47,374
每股盈利	Earnings per share	(14)		
— 基本	— Basic		18.0 cents仙	13.2 cents仙
— 攤薄	— Diluted		18.0 cents仙	N/A不適用

綜合資產負債表 CONSOLIDATED BALANCE SHEET

於二零零六年十二月三十一日 As at 31 December 2006

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		附註 NOTES	二零零六年 2006 千港元 HK\$'000	二零零五年 2005 千港元 HK\$'000
非流動資產	Non-current assets			
商譽	Goodwill	(15)	202,242	199,715
物業、廠房及設備以及 在建工程	Property, plant and equipment and construction-in-progress	(16)	568,837	570,046
預付租賃土地使用權款項	Prepaid lease payments on land use rights	(17)	138,660	12,021
其他資產	Other asset	(18)	900	—
			910,639	781,782
流動資產	Current assets			
預付租賃土地使用權款項	Prepaid lease payments on land use rights	(17)	3,002	398
存貨	Inventories	(19)	231,164	228,391
應收賬款及其他應收款	Accounts and other receivables	(20)	344,614	338,801
預付款項及按金	Prepayments and deposits	(21)	212,578	91,150
已抵押銀行存款	Pledged bank deposit	(22)	99,790	—
受限制銀行結餘	Restricted bank balances	(22)	2,854	327
銀行結餘及現金	Bank balances and cash		660,770	153,115
			1,554,772	812,182
流動負債	Current liabilities			
應付賬款	Accounts payable	(23)	50,384	56,249
預提費用及其他應付款	Accruals and other payables		35,207	44,115
應付董事款項	Amounts due to directors	(28c)	10,062	11,850
應付關聯公司款項	Amount due to a related company	(28a)	550	1,220
於一年內到期的銀行貸款	Bank borrowings due within one year	(24)	95,000	—
應付稅項	Tax payable	(12)	36,251	31,815
			227,454	145,249
流動資產淨額	Net current assets		1,327,318	666,933
			2,237,957	1,448,715

綜 合 資 產 負 債 表 CONSOLIDATED BALANCE SHEET

於二零零六年十二月三十一日 As at 31 December 2006

			二零零六年 2006 千港元 HK\$'000	二零零五年 2005 千港元 HK\$'000
		附註 NOTES		
資本及儲備	Capital and reserves			
股本	Share capital	(25)	142,114	98,695
儲備	Reserves		2,074,519	1,331,132
本公司股東應佔權益	Equity attributable to equity holders of the Company		2,216,633	1,429,827
少數股東權益	Minority interests		21,324	18,888
			2,237,957	1,448,715

載於第42頁至99頁的綜合財務報表於二零零七年四月十八日獲董事會批准及授權公佈，並由下列董事代表簽署：

The consolidated financial statements on pages 42 to 99 were approved and authorised for issue by the Board of Directors on 18 April 2007 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

截至二零零六年十二月三十一日止年度 Year ended 31 December 2006

		Attributable to equity holders of the Company 本公司股東應佔權益							少數股東 權益	
		股本	股份溢價 (附註)	資本儲備	法定儲備	股息儲備	外匯兌換 儲備	累計溢利	總額	總額
		Share capital	Share premium (note)	Capital reserve	Statutory reserves	Dividend reserve	Exchange translation reserve	Accumulated profits	Total	Minority interests
		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	千港元 HK\$'000
於二零零五年 一月一日	At 1 January 2005	98,695	600,922	22,348	56,974	19,739	3,597	499,931	1,302,206	17,470
直接確認權益之 匯兌差異	Exchange difference directly recognised in equity	-	-	-	-	-	17,153	-	17,153	-
本年度溢利	Profit for the year	-	-	-	-	-	-	130,207	130,207	1,418
本年已確認之 收入總額	Total recognised income for the year	-	-	-	-	-	17,153	130,207	147,360	1,418
轉往法定儲備	Appropriations to statutory reserves	-	-	-	13,975	-	-	(13,975)	-	-
股息轉撥 (附註13)	Dividends set aside (note 13)	-	-	-	-	47,374	-	(47,374)	-	-
已付二零零四年 末期股息	Final dividend paid for 2004	-	-	-	-	(19,739)	-	-	(19,739)	-
於二零零五年 十二月三十一日 及二零零六年 一月一日	At 31 December 2005 and 1 January 2006	98,695	600,922	22,348	70,949	47,374	20,750	568,789	1,429,827	18,888
配售新股份 (附註25)	Placing of new shares (note 25)	43,419	574,707	-	-	-	-	-	618,126	-
發行股份支出	Share issue expenses	-	(23,098)	-	-	-	-	-	(23,098)	-
直接確認權益之 匯兌差異	Exchange difference directly recognised in equity	-	-	-	-	-	41,740	-	41,740	-
本年度溢利	Profit for the year	-	-	-	-	-	-	209,255	209,255	2,436
本年已確認之 收入總額	Total recognised income for the year	-	-	-	-	-	41,740	209,255	250,995	2,436
轉往法定儲備	Appropriations to statutory reserves	-	-	-	19,031	-	-	(19,031)	-	-
股息轉撥 (附註13)	Dividends set aside (note 13)	-	-	-	-	68,689	-	(68,689)	-	-
已付二零零五年 末期股息	Final dividend paid for 2005	-	-	-	-	(47,374)	-	-	(47,374)	-
已付二零零六年 中期股息	Interim dividend paid for 2006	-	-	-	-	(11,843)	-	-	(11,843)	-
於二零零六年 十二月三十一日	At 31 December 2006	142,114	1,152,531	22,348	89,980	56,846	62,490	690,324	2,216,633	21,324

附註：

根據開曼群島公司法（一九九八年修定版），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。

Note:

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.

綜合現金流量表 CONSOLIDATED CASH FLOW STATEMENT

截至二零零六年十二月三十一日止年度 Year ended 31 December 2006

		二零零六年 2006 千港元 HK\$'000	二零零五年 2005 千港元 HK\$'000
經營活動	Operating activities		
除稅前溢利	Profit before taxation	274,075	171,646
調整項目：	Adjustments for:		
財務成本	Finance costs	2,995	21
利息收入	Interest income	(10,066)	(1,804)
物業、廠房及設備之折舊	Depreciation on property, plant and equipment	71,269	60,985
處置物業、廠房及設備之 (收益)/虧損	(Gain)/loss on disposal of property, plant and equipment	(1,118)	20
預付租賃土地使用權款項 之攤銷	Amortisation of prepaid lease payments on land use rights	617	351
存貨撥備	Allowance for inventories	30	—
撥回呆壞賬撥備	Written back of allowance for bad and doubtful debts	(2,074)	—
營運資金變動前的經營現金 流量	Operating cash flows before movements in working capital	335,728	231,219
存貨(增加)/減少	(Increase)/decrease in inventories	(3,374)	818
應收賬款及其他應收款增加	Increase in accounts and other receivables	(5,376)	(108,609)
預付款項及按金減少/(增加)	Decrease/(increase) in prepayments and deposits	2,937	(15,589)
應付賬款減少	Decrease in accounts payable	(5,865)	(1,226)
預提費用及包括應付中國 增值稅的其他應付款 (減少)/增加	(Decrease)/increase in accruals and other payables, including PRC VAT payable	(1,310)	5,289
應付董事款項(減少)/增加	(Decrease)/increase in amounts due to directors	(1,788)	1,783
應付關聯公司款項減少	Decrease in amount due to a related company	(670)	(7,493)
已付企業所得稅	Enterprise Income Tax paid	(66,364)	(26,542)
經營活動所得的現金淨額	Net cash generated from operating activities	253,918	79,650

綜合現金流量表 CONSOLIDATED CASH FLOW STATEMENT

截至二零零六年十二月三十一日止年度 Year ended 31 December 2006

		二零零六年 2006 千港元 HK\$'000	二零零五年 2005 千港元 HK\$'000
投資活動	Investing activities		
購置土地使用權	Purchase of land use rights	(126,839)	—
用以購置物業、廠房及設備 以及在建工程的預付款及 按金增加	Increase in prepayments and deposits paid for purchase of property, plant and equipment and construction-in-progress	(123,151)	(304)
已抵押銀行存款及受限制銀行 結餘(增加)/減少	(Increase)/decrease in pledged bank deposit and restricted bank balances	(102,317)	1,091
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	(48,090)	(28,748)
已收利息	Interest received	10,066	1,804
處置物業、廠房及設備以及 在建工程所得款項	Proceeds from disposal of property, plant and equipment and construction-in-progress	1,476	—
其他資產增加	Increase in other asset	(900)	—
收購附屬公司的現金支出淨額 (附註29)	Net cash outflow from acquisition of a subsidiary (Note 29)	—	(114,957)
投資活動使用的現金淨額	Net cash used in investing activities	(389,755)	(141,114)
融資活動	Financing activities		
配售新股份所得款項	Proceeds from placing of new shares	618,126	—
新增銀行貸款	Newly raised bank loan	95,000	—
已付股息	Dividends paid	(59,217)	(19,739)
發行股份支出	Share issue expenses	(23,098)	—
已付利息	Interest paid	(2,995)	(21)
融資活動流入/(使用)的 現金淨額	Net cash from/(used in) financing activities	627,816	(19,760)
現金及現金等值項目 增加/(減少)淨額	Net increase/(decrease) in cash and cash equivalents	491,979	(81,224)
年初現金及現金等值項目	Cash and cash equivalents at beginning of the year	153,115	227,000
外幣匯率變動之影響	Effect of changes in exchange rate	15,676	7,339
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		
銀行結餘及現金	Bank balances and cash	660,770	153,115

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（「聯交所」）上市。本公司註冊辦事處地址及主要營業地點於本年報公司資料一節中披露。

本綜合財務報表以港元列示，港元亦為本公司及其附屬公司（「本集團」）之計量貨幣。

本集團從事製造及銷售稀土產品（包括熒光產品）及耐火產品（包括高溫陶瓷產品和鎂砂）。

2. 採用新訂及經修訂香港財務報告準則

於本年度，本集團首次採用多項由香港會計師公會頒佈之新準則、修訂及詮釋（「新香港財務報告準則」），該等準則適用於二零零五年十二月一日或二零零六年一月一日或其後開始之會計期間。採用新香港財務報告準則對本會計期間或過往會計期間的業績的編製及呈列方式並無重大影響。因此毋須作出前期調整。

本集團並無提早採用以下經已頒佈惟於二零零六年十二月三十一日尚未生效之新香港財務報告準則。本公司董事預期，採用以下新香港財務報告準則將不會對本集團之業績及財務狀況產生重大影響。

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 "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The consolidated financial statements are presented in Hong Kong dollars, being the measurement currency of the Company and its subsidiaries (the "Group").

The Group is engaged in the manufacture and sales of rare earth products (including fluorescent products) and refractory products (including high temperature ceramics products and magnesium grains).

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretation ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior year adjustment has been required.

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective as at 31 December 2006. The directors of the Company anticipate that the application of these new HKFRSs will have no material impact on the results and the financial position of the Group.

2. 採用新訂及經修訂香港財務報告準則 (續)

香港會計準則第1號 (修訂)

Hong Kong Accounting Standard ("HKAS") 1
(Amendment)

香港財務報告準則第7號

HKFRS 7

香港財務報告準則第8號

HKFRS 8

香港 (國際財務報告詮釋委員會) – 詮釋第7號

HK(IFRIC)-Interpretation ("Int") 7

香港 (國際財務報告詮釋委員會) – 詮釋第8號

HK(IFRIC)-Int 8

香港 (國際財務報告詮釋委員會) – 詮釋第9號

HK(IFRIC)-Int 9

香港 (國際財務報告詮釋委員會) – 詮釋第10號

HK(IFRIC)-Int 10

香港 (國際財務報告詮釋委員會) – 詮釋第11號

HK(IFRIC)-Int 11

香港 (國際財務報告詮釋委員會) – 詮釋第12號

HK(IFRIC)-Int 12

¹ 於二零零七年一月一日或其後開始之年度期間生效。

² 於二零零九年一月一日或其後開始之年度期間生效。

³ 於二零零六年三月一日或其後開始之年度期間生效。

⁴ 於二零零六年五月一日或其後開始之年度期間生效。

⁵ 於二零零六年六月一日或其後開始之年度期間生效。

⁶ 於二零零六年十一月一日或其後開始之年度期間生效。

⁷ 於二零零七年三月一日或其後開始之年度期間生效。

⁸ 於二零零八年一月一日或其後開始之年度期間生效。

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

資本披露¹

Capital Disclosures¹

金融工具：披露¹

Financial Instruments: Disclosures¹

經營分部²

Operating Segments²

根據香港會計準則第29號「惡性通貨膨脹經濟中的財務報告」應用重列法³

Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies³

香港財務報告準則第2號之範圍⁴

Scope of HKFRS 2⁴

重估內置式衍生工具⁵

Reassessment of Embedded Derivatives⁵

中期財務報告及減值⁶

Interim Financial Reporting and Impairment⁶

香港財務報告準則第2號—集團及庫存股份交易⁷

HKFRS 2 – Group and Treasury Share Transactions⁷

服務特許安排⁸

Service Concession Arrangements⁸

¹ Effective for annual periods beginning on or after 1 January 2007.

² Effective for annual periods beginning on or after 1 January 2009.

³ Effective for annual periods beginning on or after 1 March 2006.

⁴ Effective for annual periods beginning on or after 1 May 2006.

⁵ Effective for annual periods beginning on or after 1 June 2006.

⁶ Effective for annual periods beginning on or after 1 November 2006.

⁷ Effective for annual periods beginning on or after 1 March 2007.

⁸ Effective for annual periods beginning on or after 1 January 2008.

3. 主要會計政策

誠如下列會計政策所述，綜合財務報表是按歷史成本基準編製，惟部份本集團的樓宇按重估金額計算者除外。

本綜合財務報表是根據香港會計師公會頒佈的香港財務報告準則而編製。此外，綜合財務報表載列聯交所證券上市規則（「上市規則」）及香港公司條例規定之適用披露。

綜合基準

本綜合財務報表包括本公司及其附屬公司的財務報表。本公司有權監管一實體之財務及經營政策從而自其業務獲益即為本公司控制之公司。

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。

如有需要，本集團會對附屬公司之財務報表作出調整，使其會計政策與本集團其他成員公司所採用者保持一致。

所有集團內交易、結餘、收入及支出均於綜合賬目時對銷。

綜合附屬公司資產淨額內之少數股東所佔之權益與本集團所佔之權益分開列賬。少數股東於資產淨額之權益包括該等權益於原業務合併日期之數額及少數股東應佔該合併日期以來之權益變動。適用於少數股東的虧損超出於附屬公司股權的少數股東權益的數額將與本集團的權益作出分配，惟少數股東具約束力責任及可以其他投資補足虧損者除外。

3. PRINCIPAL ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis, except for certain buildings of the Group, which are measured at revalued amounts, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

3. 主要會計政策 (續)

商譽

收購一間附屬公司(協議日期為於二零零五年一月一日或之後)產生之商譽乃指收購成本超逾本集團於收購當日應佔相關附屬公司可識別資產、負債及或然負債公平值之權益之差額。有關商譽乃按成本減任何累計減值虧損列賬。有關商譽每年及凡商譽有關之賺取現金單位有可能出現減值之跡象時進行減值測試。收購附屬公司產生之資本化商譽於綜合資產負債表內分開列賬。

就減值測試而言，收購所產生之商譽乃被分配到各有關賺取現金單位，或賺取現金單位之組別，預期彼等從收購之協同效應中受益。已獲配商譽之賺取現金單位每年及凡單位有可能出現減值之跡象時進行減值測試。就於某個財政年度之收購所產生之商譽而言，已獲配商譽之現金賺取單位於該財政年度完結前進行減值測試。當賺取現金單位之可收回金額少於該單位之賬面值，則減值虧損被分配，首先削減分配到該單位的商譽之賬面值，然後再按該單位每一資產之賬面值為基準按比例分配到其他資產。商譽之任何減值虧損乃直接於綜合損益表內確認。商譽之減值虧損於其後期間不予撥回。

其後出售附屬公司，則計入被資本化之商譽之應佔金額以釐定於出售時損益之金額。

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill arising on an acquisition of a subsidiary for which the agreement date is on or after 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses. Goodwill is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired. Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. Impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

3. 主要會計政策 (續)

物業、廠房及設備

物業、廠房及設備乃按其成本值或估值減期後累計折舊及減值虧損列賬。

某些樓宇以評估值，即按照其於重估日期時之公平價值減隨後之累計折舊於綜合資產負債表列賬。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。

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綜合損益表中扣除的虧絀款額撥回綜合損益表。因重估資產而賬面淨額之減少當作支出處理，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、廠房及設備的折舊乃按其可供使用之年數，計及其估計餘值，以直線法攤銷其成本值或公平值。

物業、廠房及設備項目於出售時或當繼續使用該資產預期不會產生任何日後經濟利益時取消確認。資產取消確認產生之任何收益或虧損(按該項目之出售所得款項淨額及賬面值間之差額計算)於該項目取消確認之年度計入綜合損益表。

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment are stated at cost or fair value less subsequent accumulated depreciation and impairment losses.

Certain buildings are stated in the consolidated balance sheet at their revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Revaluations are 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.

Any revaluation increase arising on 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 consolidated income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on 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 is provided to write off the cost or fair value of items of property, plant and equipment, over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

3. 主要會計政策 (續)

土地使用權

取得土地使用權而支付之款項視為經營租賃付款。土地使用權乃按其成本值減累計攤銷及減值虧損列賬，攤銷於土地使用權之有效期內以直線法自綜合損益表內扣除。

在建工程

在建工程是指施工中的廠房及物業，並按成本值減任何經確認減值虧損列賬。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。

減值 (商譽除外 – 詳見上文與商譽有關之會計政策)

本集團於年結日覆核其資產之賬面值，以確定該等資產是否存在減值虧損之任何顯示。倘估計一項資產之可收回值低於其賬面值，該資產之賬面值即被減至其可收回價值。減值虧損即時確認為支出，除非相關資產根據另一會計準則以重估值列賬，則其減值虧損可當作以該準則重估減值入賬。

倘減值虧損隨後逆轉，該資產之賬面值增加至重新估計之可收回金額，惟倘該資產並無於過去年度確認減值虧損，已增加之賬面值不高於應已釐定之賬面值。減值虧損之逆轉即時確認為收入。除非有關資產根據另一會計準則以重估值列賬，則其回撥額可當作以該準則重估值增加入賬。

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Land use rights

Payment for obtaining land use rights is considered as operating lease payment. Land use rights are stated at cost less accumulated amortisation and impairment losses, amortisation is charged to the consolidated income statement over the period of the rights using the straight-line method.

Construction-in-progress

Construction-in-progress represents plant and properties under construction and is stated at cost less any recognised 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 is provided on construction-in-progress until the asset is completed and put into use.

Impairment (other than goodwill – see the accounting policies in respect of goodwill above)

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, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

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, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

3. 主要會計政策 (續)

存貨

存貨乃按成本值及可變現淨額之較低者列賬。成本按加權平均法釐定。

撥備

倘本集團因過往事件而承擔現有責任時，而本集團可能須履行該項責任時則會確認撥備。撥備指董事於結算日對履行有關責任所需開支之最佳估計，並於現值有重大影響時貼現至現值。

金融工具

金融資產及金融負債乃當某集團實體成為工具合同條文之訂約方時在綜合資產負債表上確認。金融資產及金融負債按公平值初步確認。收購或發行金融資產及金融負債(以溢利或虧損按公平值處理的金融資產及金融負債除外)之直接應佔之交易成本乃於首次確認時加入金融資產或金融負債之公平值或自其公平值內扣除(如合適)。收購以溢利或虧損按公平值處理的金融資產或金融負債而直接產生之交易成本即時於損益中確認。

金融資產

本集團之金融資產主要為貸款及應收款項。所有定期購買或出售金融資產乃按交易日基準確認及取消確認。定期購買或出售乃購買或出售金融資產，並要求於市場上按規則或慣例設定之時間框內付運資產。所採納與貸款及應收款項有關之會計政策乃載於下文。

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Inventories

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

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are mainly loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policy adopted in respect of loans and receivables is set out below.

3. 主要會計政策 (續)**金融工具 (續)****金融資產 (續)****貸款及應收款項**

貸款及應收款項乃於現行市場並無報價之固定或可釐定付款之非衍生金融工具。於首次確認後各結算日，貸款及應收款項(包括應收賬款及其他應收款、按金、已抵押銀行存款及受限制銀行結餘)均按採用實際利率法計算之已攤銷成本減任何已識別減值虧損入賬。減值虧損乃當可實質證明資產減值時於損益中確認，並按該資產之賬面值與其估計未來現金流量按原先實際利率貼現之現值間的差額計量。當資產之可收回數額增加乃確實與於確認減值後所引致之事件有關時，則減值虧損會於隨後會計期間予以回撥，惟該資產於減值被回撥之日之賬面值不得超過未確認減值時之已攤銷成本。

金融負債及股本權益

集團實體發行之金融負債及股本工具乃根據合同安排之性質與金融負債股本工具之定義分類。股本工具乃證明集團於扣減所有負債後之資產中擁有剩餘權益之任何合同。本集團之金融負債主要為其他金融負債。就金融負債及股本工具所採納之會計政策乃載於下文。

其他金融負債

其他金融負債包括應付賬款、其他應付款、應付董事及關聯公司款項乃隨後採用實際利率法按已攤銷成本計量。

3. PRINCIPAL ACCOUNTING POLICIES (Continued)**Financial instruments (Continued)****Financial assets (Continued)****Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including accounts and other receivables, deposits, pledged bank deposit and restricted bank balances) are carried at amortised cost using the effective interest rate method, less any identified impairment losses. Impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are mainly other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Other financial liabilities

Other financial liabilities including accounts payable, other payables and amounts due to directors and a related company are subsequently measured at amortised cost, using the effective interest rate method.

3. 主要會計政策 (續)

金融工具 (續)

金融負債及股本權益 (續)

股本工具

本公司發行之股本工具乃按已收所得款項 (扣除直接發行成本) 記賬。

取消確認

若從資產收取現金流量之權利已到期，或金融資產已轉讓及本集團已將其於金融資產擁有權之絕大部份風險及回報轉移，則金融資產將被取消確認。於取消確認金融資產時，資產賬面值與已收或應收代價及直接於股本權益確認之累計損益之總和之差額，將於損益中確認。

就金融負債而言，則於本集團之綜合資產負債表中移除 (即倘於有關合約之特定責任獲解除、取消或到期)。取消確認之金融負債賬面值與已付或應付代價之差額乃於損益中確認。

租賃

根據經營租賃之應付租金乃按相關租賃年期以直線法於溢利或虧損扣除。因訂立一項經營租賃作為獎勵之已收及應收福利乃以直線法按租賃年期確認以減少租金支出。

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

For financial liabilities, they are removed from the Group's consolidated balance sheet (i.e. when the obligation specified in the relevant contract is discharged, cancelled or expired). The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Leases

Rentals payable under operating leases are charged to the profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

3. 主要會計政策 (續)**收入確認**

收益乃以已收或應收代價之公平值及於正常業務過程中售出貨物之應收款項，扣除折扣及銷售相關稅項計算。

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。

利息收入

金融資產產生之利息收入乃按時間基準，並參照尚未償還本金額及按所適用之實際利率孳生，而實際利率為透過金融資產之預期可用年期將估計日後現金收據實際貼現至該資產之賬面淨額之比率。

稅項

入息稅支出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，故與綜合損益表所呈報的純利不同。

3. PRINCIPAL ACCOUNTING POLICIES (Continued)**Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Sales of goods

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

Interest income

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

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 consolidated 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.

3. 主要會計政策 (續)

稅項 (續)

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確認，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債(業務合併除外)所產生，有關資產及負債則不會予以確認。

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。

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。遞延稅項從綜合損益表扣除或計入綜合損益表，除非遞延稅項關乎直接從股本扣除或直接計入權益之項目。在該情況下遞延稅項亦於權益中處理。

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax is recognised on 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, 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 on investments in subsidiaries, 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.

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 consolidated 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.

3. 主要會計政策 (續)

稅項 (續)

根據中華人民共和國(「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」)。

研究及開發支出

研究活動之支出已於產生之年度確認為開支。

開發支出產生之內部產生無形資產僅於預期在清楚界定項目發生之開發成本可透過未來商業活動中收回時確認。因而產生之資產按其可使用年期以直線法攤銷，並按其成本減隨後之累計攤銷及減值虧損列賬。

內部產生之無形資產之初部確認金額為無形資產首次達致確認情況日期起所產生之費用總和。倘並無內部產生無形資產可確認時，開發支出於其發生之年度確認為開支。

於初部確認後，內部產生之無形資產乃按成本減累計攤銷及減值虧損列賬，與獨立收購之無形資產之基準相同。

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Taxation (Continued)

In accordance with the relevant tax laws enacted in the People's Republic of China (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").

Research and development expenditure

Expenditure on research activities is recognised as expense in the year in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life, and carried at cost less subsequent accumulated amortisation and impairment losses.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as expense in the year in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is reported at cost less accumulated amortisation and impairment losses, on the same basis as intangible assets acquired separately.

3. 主要會計政策 (續)

研究及開發支出 (續)

倘有跡象顯示資產可能出現減值時，具有限可使用年期之無形資產會作減值測試(見上文有關商譽除外之減值虧損會計政策)。

取消確認一項無形資產所產生之盈虧，乃按出售所得款項淨額與資產之賬面值之差額計算，並於取消確認該項資產時在綜合損益表內確認。

退休福利成本

支付國營退休計劃及強制性公積金計劃(「強積金」)之款項會於到期支付時作為費用扣除。

借款成本

所有借款成本乃於產生年內確認並於綜合損益表計入為融資成本。

外幣

於編製各個別集團實體之財務報表時，以該實體功能貨幣以外之貨幣(外幣)進行之交易均按交易日期之適用匯率換算為功能貨幣(即該實體經營所在主要經濟地區之貨幣)記賬。於各結算日，以外幣為定值之貨幣項目均按結算日之適用匯率重新換算。按公平值以外幣定值之非貨幣項目乃按於公平值釐定當日之適用匯率重新換算。按貨幣過往成本計量之非貨幣項目毋須重新換算。

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Research and development expenditure (Continued)

Intangible assets with finite useful lives are tested for impairment when there is an indication that an asset may be impaired (see the above accounting policy in respect of impairment losses other than goodwill).

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

Retirement benefit costs

Payments to the state-sponsored retirement benefit plan and the Mandatory Provident Fund Scheme ("MPF") are charged as expenses when they fall due.

Borrowing costs

All borrowing costs are recognised as and included in finance costs in the consolidated income statement in the year in which they are incurred.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3. 主要會計政策 (續)**外幣 (續)**

於結算及換算貨幣項目時產生之匯兌差額均於彼等產生期間內於損益中確認，惟組成本集團海外業務之投資淨額部份之貨幣項目所產生之匯兌差額外，在此情況下，有關匯兌差額乃於綜合財務表中確認為股本權益。以公平值定值之非貨幣項目經重新換算後產生之匯兌差額於該其間列作損益，惟換算直接於股本內確認盈虧之非貨幣項目產生之差額除外，在此情況下，匯兌差額亦直接於股本權益內確認。

就呈列綜合財務報表而言，本集團海外經營業務之資產及負債乃按於結算日之適用匯率換算為本公司之列賬貨幣(即港元)，而其他收入及支出乃按年度之平均匯率進行換算，除非匯率於該年內出現大波幅變動，於此情況下，則採用於換算當日之適用匯率。所產生之外匯兌換差額(如有)乃確認作股本之獨立部份(外匯兌換儲備)。該等匯兌差額乃於海外物業被出售之年內於損益中確認。

於收購海外業務時產生之有關所收購可識別資產之商譽及公平值調整乃處理為該海外經營業務之資產及負債，並按於結算日之適用匯率進行換算。產生之匯率差額乃於外匯兌換儲備內確認。

3. PRINCIPAL ACCOUNTING POLICIES (Continued)**Foreign currencies (Continued)**

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the year in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange translation reserve). Such exchange differences are recognised in profit or loss in the year in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the exchange translation reserve.

4. 關鍵會計判斷及估計不確定性之主要來源

於應用本集團之會計政策(如附註3所述)時，管理層作出下列對於綜合財務報表中已確認之數額產生重大影響之判斷。涉及日後之主要假設及於結算日估計不明朗因素之其他主要來源(彼等均擁有導致下個財政年度之資產及負債之賬面值出現大幅調整之重大風險)亦討論如下。

物業、廠房及設備折舊

本集團於二零零六年十二月三十一日物業、廠房及設備(在建工程除外)之賬面淨值約為511,800,000港元。本集團以直線法對其物業、廠房及設備於其估計可使用年期5—20年內，經計及其估計剩餘價值，以每年5%至20%，由物業、廠房及設備可投入使用之日開始計提折舊。本集團將物業、廠房及設備投入生產之估計可使用年期反映董事估計於該期間內之估計，即本集團計劃將來從物業、廠房及設備之使用中可獲取之經濟利益。

呆壞賬撥備

本集團呆壞賬撥備政策以可收回性評估、賬齡分析及管理層判斷為基礎。評估該等應收賬款之最終變現能力需要進行大量判斷，包括客戶之現時信譽及過往收款歷史記錄。倘本集團客戶財務狀況惡化，削弱其付款能力，則須提撥額外準備。

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies which are described in note 3 above, management has made the following judgments that have significant effect on the amounts recognised in the consolidated financial statements. The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also discussed below.

Depreciation of property, plant and equipment

The Group's net carrying values of property, plant and equipment (excluding construction-in-progress) as at 31 December 2006 were approximately HK\$511,800,000. The Group depreciates the property, plant and equipment on a straight-line basis over the estimated useful lives of five to twenty years, and after taking into account of their estimated residual value at the rate of 5% – 20% per annum, commencing from the date when the property, plant and equipment are available for use. The estimated useful lives that the Group places the property, plant and equipment into productive use reflects the directors' estimate of the periods that the Group intend to derive future economic benefits from the use of the Group's property, plant and equipment.

Allowance for bad and doubtful debts

The policy for allowance of bad and doubtful debts of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

4. 關鍵會計判斷及估計不確定性之主要來源 (續)

存貨撥備

本集團管理層於結算日審核賬齡分析並對確認為不再適合用於生產之過時及滯銷庫存品進行撥備。管理層估計此等製成品之可變現淨額主要根據最近期之發票價格及目前市況而釐定。本集團於結算日對每種產品進行盤點，並對過時及滯銷品種作出撥備。

物業、廠房及設備減值

物業、廠房及設備之減值虧損乃根據本集團之會計政策就賬面值超出其可收回款額的數額確認。物業、廠房及設備的可收回數額，乃根據使用中價值的計算而釐定。此等計算需基於一些估計而作出，譬如未來收入及折扣率等。年內並無計提任何減值。

商譽之預計減值

釐定商譽是否減值須對獲分派商譽之賺取現金單位之使用價值作出估計。使用價值計算要求本集團估計預期產生自賺取現金單位之日後現金流量及合適之折現率以計算現值。年內並無計提任何減值。

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Allowance for inventories

The management of the Group reviews an ageing analysis at each balance sheet date, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for sales. The management estimates the net realisable value for such finished goods based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at each balance sheet date and makes allowance for obsolete and slow-moving items.

Impairment of property, plant and equipment

The impairment loss for property, plant and equipment are recognised for the amounts by which the carrying amounts exceeds its recoverable amount, in accordance with the Group's accounting policy. The recoverable amounts have been determined based on value-in-use calculations. These calculations require the use of estimates such as the future revenue and discount rates. No impairment was provided during the year.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. No impairment was provided during the year.

5. 財務風險管理目標及政策

本集團之主要財務工具包括應收賬款及其他應收款、按金、已抵押銀行存款、受限制銀行結餘、應付賬款、其他應付款及應付董事及關聯公司款項。該等金融工具詳情於各附註披露。下文載列與該等金融工具有關之風險及如何降低該等風險之政策。管理層管理及監控該等風險，以確保及時和有效地採取適當之措施。

貨幣風險

本集團主要於中國經營業務，其絕大部份交易以人民幣結算。本集團現時並無對外幣對沖政策。然而，管理層監控外匯風險，並會考慮於必要時對沖重大外幣風險。

利率風險

本集團就銀行貸款之息率變動承擔利率風險。

信貸風險

倘對方於二零零六年十二月三十一日未能履行彼等之承擔，則本集團就每類已確認財務資產而須承受之最大信貸風險為已於綜合資產負債表列值之資產之賬面金額反映。為最大限度地降低信貸風險，本集團管理層已委派一組人員負責制訂信貸限額、信貸審批及其他監控措施，以確保採取跟進措施收回逾期未付之債項。此外，於各結算日，本集團定期評估每項個別貿易應收款之可收回金額，以確保就不可收回金額所作出之減值虧損已足夠。就此而言，本公司董事認為本集團之信貸風險已大幅降低。

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include accounts and other receivables, deposits, pledged bank deposit, restricted bank balances, accounts payable, other payables and amounts due to directors and a related company. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

The Group mainly operates in the PRC with most of the transactions settled in Renminbi ("RMB"). The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Interest rate risk

The Group is exposed to interest rate risk through the impact of the rate changes on bank borrowings.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade receivables at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

5. 財務風險管理目標及政策 (續)

信貸風險 (續)

本集團並無集中之信貸風險，有關風險乃分散至多個其他地方及客戶。

流動資金風險

本集團有足夠資金維持持續營運資本需求。

6. 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彙報較為有關聯，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（包括高溫陶瓷產品及鎂砂）

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Liquidity risk

The Group has sufficient funds to finance its ongoing working capital requirements.

6. 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 (including high temperature ceramics products and magnesium grains)

綜合財務報表附註 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

截至二零零六年十二月三十一日止年度 Year ended 31 December 2006

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6. 分類資料 (續)

(a) 業務分類 (續)

綜合損益表

6. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

Consolidated Income Statement

		稀土 Rare Earth		耐火 Refractory		未分配 Unallocated		總額 Total	
		二零零六年 2006 千港元 HK\$'000	二零零五年 2005 千港元 HK\$'000	二零零六年 2006 千港元 HK\$'000	二零零五年 2005 千港元 HK\$'000	二零零六年 2006 千港元 HK\$'000	二零零五年 2005 千港元 HK\$'000	二零零六年 2006 千港元 HK\$'000	二零零五年 2005 千港元 HK\$'000
截至十二月三十一日 止年度	For the year ended 31 December								
營業額	Turnover	522,110	345,243	508,972	424,127	-	-	1,031,082	769,370
業績	RESULTS								
分類業績	Segment results	98,647	49,441	161,770	118,891	-	-	260,417	168,332
未分類企業費用	Unallocated corporate expenses							(8,387)	(7,536)
利息收入	Interest income							10,066	1,804
其他收入淨額	Other income, net							14,974	9,067
財務成本	Finance costs							(2,995)	(21)
除稅前溢利	Profit before taxation							274,075	171,646
稅項	Taxation							(62,384)	(40,021)
本年度溢利	Profit for the year							211,691	131,625
其他資料	Other Information								
年內產生的資本性支出	Capital expenditure incurred during the year	99,812	3,210	75,100	25,538	17	-	174,929	28,748
物業、廠房及設備之折舊	Depreciation on property, plant and equipment	34,765	34,185	36,422	26,717	82	83	71,269	60,985
預付租賃土地使用權款項攤銷	Amortisation of prepaid lease payments on land use rights	176	35	441	316	-	-	617	351
存貨撥備	Allowance for inventories	-	-	30	-	-	-	30	-
處置物業、廠房及設備(收益)/虧損	(Gain)/loss on disposal of property, plant and equipment	(1,135)	20	17	-	-	-	(1,118)	20
撥回呆壞賬撥備	Written back of allowance for bad and doubtful debts	(2,057)	-	(17)	-	-	-	(2,074)	-

6. 分類資料 (續)

(a) 業務分類 (續)

綜合資產負債表

		稀土 Rare Earth		耐火 Refractory		未分配 Unallocated		總額 Total	
		二零零六年 2006 千港元 HK\$'000	二零零五年 2005 千港元 HK\$'000	二零零六年 2006 千港元 HK\$'000	二零零五年 2005 千港元 HK\$'000	二零零六年 2006 千港元 HK\$'000	二零零五年 2005 千港元 HK\$'000	二零零六年 2006 千港元 HK\$'000	二零零五年 2005 千港元 HK\$'000
於十二月三十一日	As at 31 December								
分類資產	Segment assets	783,931	699,511	1,086,795	756,463	-	-	1,870,726	1,455,974
未分類企業資產	Unallocated corporate assets							594,685	137,990
資產總額	Total assets							2,465,411	1,593,964
分類負債	Segment liabilities	143,193	45,774	78,765	91,639	-	-	221,958	137,413
未分類企業負債	Unallocated corporate liabilities							5,496	7,836
負債總額	Total liabilities							227,454	145,249

(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：

(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:

		二零零六年 2006 千港元 HK\$'000	二零零五年 2005 千港元 HK\$'000
中國	The PRC	814,518	593,733
日本	Japan	117,879	102,567
歐洲	Europe	65,022	49,601
美國	The United States of America	26,901	13,161
其他	Others	6,762	10,308
		1,031,082	769,370

本集團超過百分之九十的分類資產及物業、廠房、設備及土地使用權購置位於中國(包括香港)。

Over 90% of segment assets and additions to property, plant and equipment and land use rights of the Group are located in the PRC including Hong Kong.

7. 營業額

7. TURNOVER

		二零零六年 2006 千港元 HK\$'000	二零零五年 2005 千港元 HK\$'000
稀土產品(包括熒光產品) 銷售	Sales of rare earth products (including fluorescent products)	522,110	345,243
耐火產品(包括高溫陶瓷產品 及鎂砂)銷售	Sales of refractory products (including high temperature ceramics products and magnesium grains)	508,972	424,127
		1,031,082	769,370

8. 財務成本

8. FINANCE COSTS

		二零零六年 2006 千港元 HK\$'000	二零零五年 2005 千港元 HK\$'000
須於五年內悉數償還之銀行 貸款利息支出及銀行手續費	Interest expenses and bank charges on bank borrowing wholly repayable within five years	2,858	—
承兌匯票利息支出	Interest expenses on discounted bills	137	21
		2,995	21

9. 除稅前溢利

除稅前溢利已扣除／(計入)下列各項：

9. PROFIT BEFORE TAXATION

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

		二零零六年 2006 千港元 HK\$'000	二零零五年 2005 千港元 HK\$'000
核數師酬金	Auditors' remuneration	1,420	1,360
存貨成本(不包括員工成本、 物業、廠房及設備之折舊、 預付租賃土地使用權款項 攤銷及存貨撥備)	Cost of inventories (excluding staff costs, depreciation on property, plant and equipment, amortisation of prepaid lease payments on land use rights and allowance for inventories)	642,770	490,588
物業、廠房及設備之折舊	Depreciation on property, plant and equipment	71,269	60,985
預付租賃土地使用權款項攤銷	Amortisation of prepaid lease payments on land use rights	617	351
員工成本(不包括董事酬金 (附註10))	Staff costs (excluding directors' emoluments (Note 10))		
— 薪金及工資	— Salaries and wages	23,233	17,677
— 僱員退休福利供款 (附註11)	— Contribution to employment retirement benefits (Note 11)	1,256	1,016
存貨撥備	Allowance for inventories	30	—
已租物業之經營租賃支出	Operating lease charges on rented premises	1,483	1,615
研究及開發支出	Research and development expenditure	344	361
匯兌收益淨額	Exchange gain, net	(13,732)	(6,563)
處置物業、廠房及設備 (收益)／虧損	(Gain)/loss on disposal of property, plant and equipment	(1,118)	20
撥回呆壞賬撥備	Written back of allowance for bad and doubtful debts	(2,074)	—

10. 董事及僱員酬金

- (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：

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

- (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:

		二零零六年 2006 千港元 HK\$'000	二零零五年 2005 千港元 HK\$'000
執行董事	Executive directors		
— 袍金	— fees	—	—
— 薪金及津貼	— salaries and allowance	2,216	2,230
非執行董事	Independent non-executive directors		
— 袍金	— fees	124	123
		2,340	2,353

- (b) 已付或應付予七位(二零零五年：八位)董事之酬金如下：

- (b) The emoluments paid or payable to each of the seven (2005: eight) directors were as follows:

		董事袍金 Directors' fees 千港元 HK\$'000	基本薪金、 津貼及實物福利 Basic salaries, allowance and benefits-in-kind 千港元 HK\$'000	酬金總額 Total emoluments 千港元 HK\$'000
蔣泉龍	Jiang Quanlong	—	1,200	1,200
錢元英	Qian Yuanying	—	780	780
許盤鳳	Xu Panfeng	—	118	118
蔣才南	Jiang Cainan	—	118	118
劉余九	Liu Yujiu	35	—	35
黃春華	Huang Chunhua	60	—	60
金重	Jin Zhong	29	—	29
二零零六年總額	Total for 2006	124	2,216	2,340

10. 董事及僱員酬金 (續)

(b) (續)

		基本薪金、 董事袍金 津貼及實物福利	酬金總額
		Basic salaries, allowance and Directors' fees benefits-in-kind	Total emoluments
		千港元 HK\$'000	千港元 HK\$'000
蔣泉龍	Jiang Quanlong	—	1,200
錢元英	Qian Yuanying	—	780
范亞軍 ¹	Fan Yajun ¹	—	174
許盤鳳	Xu Panfeng	—	38
蔣才南	Jiang Cainan	—	38
劉余九	Liu Yujiu	34	—
黃春華	Huang Chunhua	60	—
金重	Jin Zhong	29	—
二零零五年總額	Total for 2005	123	2,230

¹ 已於二零零五年八月十九日離任。

截至二零零六年及二零零五年十二月三十一日止兩年度，概無董事放棄或同意放棄任何酬金。

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS
(Continued)

(b) (Continued)

		基本薪金、 董事袍金 津貼及實物福利	酬金總額
		Basic salaries, allowance and Directors' fees benefits-in-kind	Total emoluments
		千港元 HK\$'000	千港元 HK\$'000
蔣泉龍	Jiang Quanlong	—	1,200
錢元英	Qian Yuanying	—	780
范亞軍 ¹	Fan Yajun ¹	—	174
許盤鳳	Xu Panfeng	—	38
蔣才南	Jiang Cainan	—	38
劉余九	Liu Yujiu	34	—
黃春華	Huang Chunhua	60	—
金重	Jin Zhong	29	—
二零零五年總額	Total for 2005	123	2,230

¹ Resigned on 19 August 2005.

No directors waived or agreed to waive any emoluments during the two years ended 31 December 2006 and 2005.

10. 董事及僱員酬金 (續)

- (c) 五位最高薪人士包括三位(二零零五年：三位)董事，彼等的酬金詳情載於上文。彼等的酬金總額連同其餘兩位(二零零五年：兩位)最高薪人士的酬金如下：

		二零零六年 2006 千港元 HK\$'000	二零零五年 2005 千港元 HK\$'000
基本薪金、津貼及實物福利	Basic salaries, allowance and benefits-in-kind	3,027	3,061
退休福利計劃供款	Retirement benefits scheme contribution	46	45
		3,073	3,106

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：

		二零零六年 2006	二零零五年 2005
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

於兩個年度內，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。

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS
(Continued)

- (c) During the year, five highest paid individuals in the Group, three (2005: three) are directors of the Company whose emoluments are set out above. Their total emoluments together with the remaining two (2005: two) highest paid individuals are as follows:

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

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 in both years.

11. 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，供款額為僱員基本薪金的17%–20%（二零零五年：17%–20%）。僱員退休後的生活津貼由國營退休計劃負責支付。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。截至二零零六年十二月三十一日止年度，退休計劃供款額約為1,210,000港元（二零零五年：971,000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積金。該計劃為定額供款退休金計劃。該公司每月按僱員基本薪金5%向該計劃供款。截至二零零六年十二月三十一日止年度，本集團向強積金供款約46,000港元（二零零五年：45,000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。

12. 稅項

企業所得稅

— 中國附屬公司

Enterprise Income Tax ("EIT")

— The PRC subsidiaries

由於本集團兩個年度並沒有任何在香港產生的應課稅溢利，故並無就香港利得稅計提撥備。

11. 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 17% to 20% (2005: 17% to 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 2006, the retirement plan contributions amounted to approximately HK\$1,210,000 (2005: HK\$971,000).

A company in the Group operating in Hong Kong has participated in 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 2006, the Group's contributions to the MPF were approximately HK\$46,000 (2005: HK\$45,000). The assets of the fund are held separately from those of the Group and are managed by independent professional fund managers.

12. TAXATION

		二零零六年 2006 千港元 HK\$'000	二零零五年 2005 千港元 HK\$'000
企業所得稅	Enterprise Income Tax ("EIT")		
— 中國附屬公司	— The PRC subsidiaries	62,384	40,021

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

12. 稅項 (續)

應付稅項已包括中國增值稅及中國企業所得稅如下：

12. TAXATION (Continued)

Tax payable comprised PRC VAT and PRC EIT as follows:

		二零零六年 2006 千港元 HK\$'000	二零零五年 2005 千港元 HK\$'000
中國增值稅	PRC VAT	16,997	9,399
中國企業所得稅	PRC EIT	19,254	22,416
		36,251	31,815

根據中國有關稅法，若干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，有兩家(二零零五年：兩家)中國附屬公司獲減稅50%後按12%計提企業所得稅。另外分別有兩家(二零零五年：兩家)及一家(二零零五年：無)中國附屬公司按27%及33%全額計提企業所得稅。餘下三家(二零零五年：一家)中國附屬公司並沒有任何應課稅溢利。

Pursuant to the relevant tax laws in the PRC, certain 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, EIT has been provided at 12% after a 50% reduction for two (2005: two) PRC subsidiaries. EIT has been fully provided at 27% and 33% for two (2005: two) and one (2005: nil) PRC subsidiaries respectively. The remaining three (2005: one) PRC subsidiaries did not derive any assessable profits.

12. 稅項(續)

稅項與綜合損益表之除稅前溢利調節如下：

		二零零六年 2006 千港元 HK\$'000	二零零五年 2005 千港元 HK\$'000
除稅前溢利	Profit before taxation	274,075	171,646
按國內所得稅率	Tax at domestic income tax rate	72,439	45,899
稅務寬減的影響	Effect of tax exemption	(10,055)	(5,878)
本年度稅項	Taxation for the year	62,384	40,021

由於沒有重大的暫時差額，在綜合財務報表中並未確認遞延稅項撥備。

12. TAXATION (Continued)

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

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

13. 股息

13. DIVIDENDS

		二零零六年 2006 千港元 HK\$'000	二零零五年 2005 千港元 HK\$'000
已派發的中期股息： 每股0.01港元 (二零零五年：無)	Interim dividend paid: HK\$0.01 (2005: nil) per share	11,843	—
建議派發的末期股息： 每股0.04港元 (二零零五年：0.04港元)	Proposed final dividend: HK\$0.04 (2005: HK\$0.04) per share	56,846	47,374
		68,689	47,374

末期股息每股0.04港元由董事建議派發並須經股東於股東週年大會上批准。

The final dividend of HK\$ 0.04 per share has been proposed by directors and is subject to approval by shareholders at annual general meeting.

14. 每股盈利

每股基本盈利及攤薄盈利乃根據本集團在本年度本公司股東應佔溢利約209,255,000港元(二零零五年:130,207,000港元)及下列數據計算:

14. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the Group's profit for the year attributable to the equity holders of the Company of approximately HK\$209,255,000 (2005: HK\$130,207,000) and the following data:

		二零零六年 2006	二零零五年 2005
用以計算每股基本盈利的 普通股加權平均數	Weighted average number of ordinary shares for the calculation of basic earnings per share	1,162,593,991	986,953,059
潛在攤薄的普通股:	Effect of dilutive potential ordinary shares:		
購股權	Share options	323,041	—
用以計算每股攤薄盈利的 普通股加權平均數	Weighted average number of ordinary shares for the calculation of diluted earnings per share	1,162,917,032	986,953,059

由於截至二零零五年十二月三十一日止年度並無潛在攤薄的普通股，故並無就該年度呈報每股攤薄盈利。

No diluted earnings per share was shown for 2005 as there was no dilutive potential ordinary share for that year.

15. 商譽

15. GOODWILL

		千港元 HK\$'000
成本	COST	
於二零零五年一月一日	At 1 January 2005	143,098
應用香港財務報告準則第3號時 抵銷累計攤銷	Elimination of accumulated amortisation upon the application of HKFRS 3	(6,558)
於收購附屬公司時產生	Arising on acquisition of a subsidiary	63,175
於二零零五年十二月三十一日 及二零零六年一月一日	At 31 December 2005 and 1 January 2006	199,715
匯兌差異	Exchange difference	2,527
於二零零六年十二月三十一日	At 31 December 2006	202,242
累計攤銷	ACCUMULATED AMORTISATION	
於二零零五年一月一日	At 1 January 2005	6,558
應用香港財務報告準則第3號時 抵銷累計攤銷	Elimination of accumulated amortisation upon the application of HKFRS 3	(6,558)
於二零零五年十二月三十一日、 二零零六年一月一日及 二零零六年十二月三十一日	At 31 December 2005, 1 January 2006 and 31 December 2006	—
賬面淨值	NET CARRYING VALUES	
於二零零六年十二月三十一日	At 31 December 2006	202,242
於二零零五年十二月三十一日	At 31 December 2005	199,715

商譽乃於收購附屬公司時產生。商譽至少每年進行一次減值測試。

Goodwill was arising on acquisition of subsidiaries. Goodwill will be tested for impairment at least annually.

15. 商譽(續)

商譽之賬面值已被分派至下列附屬公司：

15. GOODWILL (Continued)

The goodwill is allocated to the following subsidiaries:

		二零零六年 2006 千港元 HK\$'000	二零零五年 2005 千港元 HK\$'000
無錫新威高溫陶瓷有限公司	Wuxi Xinwei High Temperature Ceramics Co., Ltd.	136,540	136,540
海城市蘇海鎂礦有限公司	Haicheng City Suhai Magnesium Ore Co., Ltd.	65,702	63,175
		202,242	199,715

年內，本集團根據一家與本集團並無關連的獨立專業合資格評估師所作之估值進行商譽減值測試。

During the year, the Group performed an impairment testing of goodwill with reference to a valuation carried out by an independent qualified professional valuer not connected with the Group.

以上兩家中國附屬公司之可收回款額乃採用企業價值計算。而計算的方法是採用現金流量折現計算之收益法。該計算乃以管理層所提供的會計資料以為期二十六年及折現率11.25%為基準。無錫新威高溫陶瓷有限公司的淨收入是假設以3%至31%增長，而海城市蘇海鎂礦有限公司的淨收入則假設以1%至3%增長。該現金流量預測乃根據管理層按過去表現預期有關市場發展而釐定。董事認為，根據該企業價值，可收回款額超逾其於綜合資產負債表之賬面淨值，故無需作減值準備。

The recoverable amount of the above two subsidiaries has been determined based on business valuation calculation. The calculation uses the Income Approach of Discounted Cash Flow Method based on the accounting information provided by the management covering a 26-year operating period, and at a discount rate of 11.25%. Net revenue of Wuxi Xinwei High Temperature Ceramics Co., Ltd. is assumed to grow at 3% to 31%, while net revenue of Haicheng City Suhai Magnesium Ore Co., Ltd. is assumed to grow at 1% to 3%. The cash flow forecasts have been determined based on the management's expectation for the market development and past experience. The directors are of the opinion, based on the business valuation, that the recoverable amount exceeds its net carrying value in the consolidated balance sheet and no impairment is necessary.

16. 物業、廠房及設備以及在建工程

16. PROPERTY, PLANT AND EQUIPMENT AND CONSTRUCTION-IN-PROGRESS

		樓宇 Buildings 千港元 HK\$'000	機器及 設備 Machinery and equipment 千港元 HK\$'000	辦公室設備 及裝置 Office and fixtures 千港元 HK\$'000	汽車 Motor vehicles 千港元 HK\$'000	在建工程 Construction- in-progress 千港元 HK\$'000	總額 Total 千港元 HK\$'000
成本或估值	COST OR VALUATION						
於二零零五年 一月一日	At 1 January 2005	172,945	493,953	5,144	5,279	36,747	714,068
收購附屬公司	Acquisition of a subsidiary	17,850	40,089	125	1,308	–	59,372
添置	Additions	–	3,022	180	764	24,782	28,748
由在建工程轉入	Transfer from construction- in-progress	–	36,247	–	–	(36,247)	–
處置	Disposals	(20)	–	–	(1,000)	–	(1,020)
匯兌差異	Exchange difference	3,326	9,877	94	99	596	13,992
於二零零五年 十二月三十一日 及二零零六年 一月一日	At 31 December 2005 and 1 January 2006	194,101	583,188	5,543	6,450	25,878	815,160
添置	Additions	–	7,734	163	350	39,843	48,090
由在建工程轉入	Transfer from construction- in-progress	4,765	5,545	–	–	(10,310)	–
處置	Disposals	–	–	–	(2,843)	–	(2,843)
匯兌差異	Exchange difference	7,859	23,593	211	208	1,626	33,497
於二零零六年 十二月三十一日	At 31 December 2006	206,725	620,060	5,917	4,165	57,037	893,904
包括：	Comprising:						
按成本	At cost	189,518	620,060	5,917	4,165	57,037	876,697
按估值	At valuation	17,207	–	–	–	–	17,207
		206,725	620,060	5,917	4,165	57,037	893,904

16. 物業、廠房及設備以及在建工程
(續)

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

		樓宇 Buildings 千港元 HK\$'000	機器及 設備 Machinery and equipment 千港元 HK\$'000	辦公室設備 及裝置 Office equipment and fixtures 千港元 HK\$'000	汽車 Motor vehicles 千港元 HK\$'000	在建工程 Construction- in-progress 千港元 HK\$'000	總額 Total 千港元 HK\$'000
累計攤銷及折舊	ACCUMULATED AMORTISATION AND DEPRECIATION						
於二零零五年 一月一日	At 1 January 2005	38,796	119,414	2,624	3,468	–	164,302
收購附屬公司	Acquisition of a subsidiary	2,975	13,360	76	683	–	17,094
本年度計提	Charge for the year	8,729	50,319	1,023	914	–	60,985
處置撥回	Written back on disposals	–	–	–	(1,000)	–	(1,000)
匯兌差異	Exchange difference	830	2,780	57	66	–	3,733
於二零零五年 十二月三十一日 及二零零六年 一月一日	At 31 December 2005 and 1 January 2006	51,330	185,873	3,780	4,131	–	245,114
本年度計提	Charge for the year	9,895	59,414	1,071	889	–	71,269
處置撥回	Written back on disposals	–	–	–	(2,485)	–	(2,485)
匯兌差異	Exchange difference	2,251	8,623	162	133	–	11,169
於二零零六年 十二月三十一日	At 31 December 2006	63,476	253,910	5,013	2,668	–	325,067
賬面淨值	NET CARRYING VALUES						
於二零零六年 十二月三十一日	At 31 December 2006	143,249	366,150	904	1,497	57,037	568,837
於二零零五年 十二月三十一日	At 31 December 2005	142,771	397,315	1,763	2,319	25,878	570,046

16. 物業、廠房及設備以及在建工程 (續)

所有樓宇均位於中國。

若干本集團樓宇經已由一家獨立專業合資格評估師於二零零二年十二月三十一日按公開市值基準重估。

於二零零六年十二月三十一日，董事按折舊重置成本基準對該等樓宇作重估。由於重估值與於二零零六年十二月三十一日之賬面值並無重大差異，本公司董事認為該等樓宇於二零零六年十二月三十一日之賬面值已經公平地反映其於當日之可收回價值。

於資產負債表日，假約以成本值減除累計折舊值列賬，評估值為12,926,000港元(二零零五年：13,706,000港元)之樓宇之賬面值應為14,490,000港元(二零零五年：15,303,000港元)。

物業、機器及設備以直線法按下列年率計提折舊：

樓宇	5%
機器及設備	10%
辦公室設備及裝置	20%
汽車	20%

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

All buildings are located in the PRC.

Certain of the Group's buildings were last revalued at 31 December 2002 by an independent professionally qualified valuer on an open market basis.

At 31 December 2006, the directors revalued the buildings on a depreciated replacement cost basis. Since there are no material differences between the revalued amount and the carrying values at 31 December 2006, the directors are of the opinion that the carrying values of the buildings at 31 December 2006 fairly reflected their recoverable amounts at that date.

At the balance sheet date, the carrying amount of certain buildings with revalued amount of HK\$12,926,000 (2005: HK\$13,706,000) would have been HK\$14,490,000 (2005: HK\$15,303,000) have they been stated at cost less accumulated depreciation.

Property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

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

17. 預付租賃土地使用權款項

17. PREPAID LEASE PAYMENTS ON LAND USE RIGHTS

		二零零六年 2006 千港元 HK\$'000	二零零五年 2005 千港元 HK\$'000
於一月一日賬面淨值	Net carrying value at 1 January	12,419	10,384
匯兌差異	Exchange difference	3,021	196
收購附屬公司	Acquisition of a subsidiary	—	2,190
添置	Additions	126,839	—
攤銷	Amortisation	(617)	(351)
於十二月三十一日賬面淨值	Net carrying value at 31 December	141,662	12,419
於中國之租賃土地：	Leasehold land in the PRC:		
中期租賃	Medium-term lease	141,662	12,419
就報告而作出之分析：	Analysis for reporting purposes:		
流動資產	Current asset	3,002	398
非流動資產	Non-current asset	138,660	12,021
		141,662	12,419

18. 其他資產

其他資產指購買土地使用權已付的按金。於二零零六年八月三十日，本公司其中一家附屬公司與獨立第三方簽定一份協議以徵用中國海城市的一塊土地。根據該協議，該附屬公司同意支付人民幣1,500,000元徵用150畝土地作未來發展用途。於資產負債表日，已支付人民幣900,000元（折合為900,000港元）。

董事認為於資產負債表日其他資產的賬面值與其公平值沒有重大差異。

18. OTHER ASSET

Other asset represents deposit paid for acquisition of land use rights. On 30 August 2006, a subsidiary of the Company has entered into an agreement with an independent third party for the levy of a piece of land located in Haicheng City, PRC. According to the agreement, the subsidiary has agreed to pay RMB1,500,000 for the levy of 150 acreage land for its future development. As at the balance sheet date, RMB900,000 (equivalent to HK\$900,000) in respect of this has been paid.

In the opinion of the directors, the carrying amount of the other asset has no material difference from its fair value at the balance sheet date.

19. 存貨

19. INVENTORIES

		二零零六年 2006 千港元 HK\$'000	二零零五年 2005 千港元 HK\$'000
原材料	Raw materials	51,504	37,096
在製品	Work in progress	84,422	68,892
產成品	Finished goods	110,124	136,687
		246,050	242,675
減：存貨撥備	Less: Allowance for inventories	(14,886)	(14,284)
		231,164	228,391

於資產負債表日，存貨中包括可變現淨額列賬的存貨約為24,836,000港元（二零零五年：5,725,000港元）。

At the balance sheet date, approximately HK\$24,836,000 (2005: HK\$5,725,000) of the inventories of the Group were carried at net realisable value.

20. 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。

20. 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 monitors overdue accounts receivable and follow up collections.

20. 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：

20. ACCOUNTS AND OTHER RECEIVABLES (Continued)

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

		二零零六年 2006 千港元 HK\$'000	二零零五年 2005 千港元 HK\$'000
應收賬款	Accounts receivable	337,443	326,865
其他應收款	Other receivables	15,111	20,313
		352,554	347,178
減：呆壞賬撥備	Less: Allowance for bad and doubtful debts	(7,940)	(8,377)
		344,614	338,801

應收賬款之賬齡分析如下：

An ageing analysis of accounts receivable is as follows:

		二零零六年 2006 千港元 HK\$'000	二零零五年 2005 千港元 HK\$'000
本期至六個月內	Current to less than 6 months	305,513	286,780
六個月至一年內	6 months to less than 1 year	23,859	26,519
一至兩年內	1 to less than 2 years	2,700	5,773
兩年以上	Over 2 years	5,371	7,793
		337,443	326,865

於二零零六年十二月三十一日，由於本集團之應收賬款及其他應收款屬短期到期性質，所以其公平值與其賬面值相若。

The fair values of the Group's accounts and other receivables at 31 December 2006 approximate to the corresponding carrying amounts due to short-term maturities.

21. 預付款項及按金

於二零零六年十二月三十一日，預付款項及按金包括用以購置物業、廠房及設備以及在建工程的款項約170,131,000港元（二零零五年：46,980,000港元）。

於二零零六年十二月三十一日，由於本集團之預付款項及按金屬短期到期性質，所以其公平值與其賬面值相若。

22. 已抵押銀行存款及受限制銀行結餘

於二零零六年十二月三十一日，已抵押銀行存款指為使本公司一附屬公司獲得短期銀行貸款而抵押給銀行的存款。該存款按固定年利率4.73%計息。

於二零零六年及二零零五年十二月三十一日，受限制銀行結餘指為向若干客戶及供應商開具信用證而被銀行要求及限制的存款，受限制銀行結餘將於有關交易完成時解除限制。

21. PREPAYMENTS AND DEPOSITS

At 31 December 2006, prepayments and deposits include amounts paid for the purchase of property, plant and equipment of approximately HK\$170,131,000 (2005: HK\$46,980,000).

The fair values of the Group's prepayments and deposits at 31 December 2006 approximate to the corresponding carrying amounts due to short-term maturities.

22. PLEDGED BANK DEPOSIT AND RESTRICTED BANK BALANCES

At 31 December 2006, pledged bank deposit represents deposit pledged to a bank to secure short-term bank loans granted to a subsidiary of the Company. The deposit carries fixed interest rate at 4.73% per annum.

At 31 December 2006 and 2005, restricted bank balances represent deposits required and restricted by banks in respect of the issue of letter of credit to certain customer and suppliers. The restricted bank balances will be released upon the completion of the respective transactions.

23. 應付賬款

應付賬款之賬齡分析如下：

23. ACCOUNTS PAYABLE

An ageing analysis of accounts payable is as follows:

		二零零六年 2006 千港元 HK\$'000	二零零五年 2005 千港元 HK\$'000
本期至六個月內	Current to less than 6 months	42,781	48,715
六個月至一年內	6 months to less than 1 year	3,425	4,581
一至兩年內	1 to less than 2 years	2,173	1,456
兩年以上	Over 2 years	2,005	1,497
		50,384	56,249

於二零零六年十二月三十一日，由於本集團之應付賬款屬短期到期性質，所以其公平值與其賬面值相若。

The fair values of the Group's accounts payable at 31 December 2006 approximate to the corresponding carrying amounts due to short-term maturities.

24. 於一年內到期的銀行貸款

24. BANK BORROWINGS DUE WITHIN ONE YEAR

		二零零六年 2006 千港元 HK\$'000	二零零五年 2005 千港元 HK\$'000
有抵押之短期銀行貸款	Secured short-term bank loans	95,000	—

本集團所有貸款以人民幣計值。

All of the Group's borrowings are denominated in Reminbi.

於截至二零零六年十二月三十一日止年度，本集團獲得為數約95,000,000港元之新銀行貸款。該貸款按固定年利率4.860%及5.022%計息及須於一年內償還。

During the year ended 31 December 2006, the Group obtained two new bank loans in the amount of approximately HK\$95,000,000. The loans drawn during the year bear fixed interest rates at 4.860% and 5.022% per annum and are repayable within one year.

於二零零六年十二月三十一日，該銀行貸款以約99,790,000港元(二零零五年：無)的已抵押銀行存款作為抵押。

At 31 December 2006, the bank loans were secured by the pledged bank deposit of approximately HK\$99,790,000 (2005: nil).

24. 於一年內到期的銀行貸款(續)

於二零零六年十二月三十一日，由於本集團的銀行貸款屬短期到期性質，所以其公平面值與其賬值相若。

24. BANK BORROWINGS DUE WITHIN ONE YEAR
(Continued)

The fair values of the Group's bank borrowings at 31 December 2006 approximate to the corresponding carrying amounts due to short-term maturities.

25. 本公司股本

25. SHARE CAPITAL OF THE COMPANY

		股本數目 Number of shares	千港元 HK\$'000
每股面值0.10港元之普通股	Ordinary shares of HK\$0.10 each		
法定：	Authorised:		
於二零零五年一月一日，	At 1 January 2005,		
二零零五年十二月三十一日	31 December 2005		
及二零零六年十二月三十一日	and 31 December 2006	2,000,000,000	200,000
已發行及繳足：	Issued and fully paid:		
於二零零五年一月一日，	At 1 January 2005,		
二零零五年十二月三十一日	31 December 2005		
及二零零六年一月一日	and 1 January 2006	986,953,059	98,695
本年度配售新股份(附註a及b)	Placing of new shares during the year (Notes a and b)	434,190,000	43,419
於二零零六年十二月三十一日	At 31 December 2006	1,421,143,059	142,114

附註：

Notes:

(a) 於二零零六年四月十日，本公司按每股作價1.38港元發行及配發197,390,000股每股面值0.10港元之普通股予獨立第三方。

(a) On 10 April 2006, 197,390,000 ordinary shares of HK\$0.10 each were issued and allotted to independent third parties at a price of HK\$1.38 per share.

(b) 於二零零六年十一月十三日，本公司按每股作價1.46港元發行及配發236,800,000股每股面值0.10港元之普通股予獨立第三方。

(b) On 13 November 2006, 236,800,000 ordinary shares of HK\$0.10 each were issued and allotted to independent third parties at a price of HK\$1.46 per share.

本年度內發行之所有新增股份，在各方面均與當時之現有股份享有同等權益。

All the new shares issued during the year rank pari passu in all respects with the existing shares.

26. 承擔

於資產負債表日，本集團沒有在綜合財務報表內撥備之承擔如下：

- (a) 購買及建造物業、廠房及設備之資本承擔：

	二零零六年 2006 千港元 HK\$'000	二零零五年 2005 千港元 HK\$'000
已授權及已訂約	247,862	67,461

- (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：

	二零零六年 2006 千港元 HK\$'000	二零零五年 2005 千港元 HK\$'000
一年內	692	1,307
第二至第五年（包括首尾兩年）	222	3,036
五年後	—	10,543
	914	14,886

經營租賃付款指本集團就其若干辦公室及廠房應付之租金。租約年期乃通過磋商釐定，介乎在平均三年。

26. COMMITMENTS

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

- (a) Capital commitments in respect of acquisition and construction of property, plant and equipment:

- (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:

Operating lease payments represent rentals payable by the Group for certain of its office and factory premises. Leases and rentals are negotiated and fixed for an average of three years.

27. 購股權計劃

於二零零四年六月四日舉行之股東周年大會上，本公司股東批准終止於一九九九年十月十四日採納之購股權計劃（「舊計劃」）及採納新購股權計劃（「新計劃」）。

根據新計劃，董事可酌情邀請對本集團有所貢獻或將有貢獻之本集團全職僱員（包括本公司及其附屬公司之董事）、任何股東、供應商、客戶、專家顧問、顧問及合作夥伴或業務聯盟在新計劃條款及條件之規限下接受購股權認購本公司股份。合資格參與者將就每次授出之購股權支付象徵式代價。購股權可於董事在提出要約時所釐定及指定予各承授人之期間內任何時間行使，惟不得超過各購股權授出日起計十年之期間，惟可遵照新計劃予以提早終止。於二零零六及二零零五年十二月三十一日止兩年度，本公司並無授出購股權。

行使價可由董事會釐定，惟不可少於要約當日本公司股份的收市價，緊接要約當日前五個營業日本公司股份的平均收市價及本公司股份面值三項之最高者。

27. SHARE OPTION SCHEME

At the annual general meeting of the Company held on 4 June 2004, the shareholders of the Company approved the termination of the Company's share option scheme adopted on 14 October 1999 (the "Old Scheme") and the adoption of a new share option scheme (the "New Scheme").

Under the New Scheme, the directors may, at their discretion, invite full-time employees of the Group, including directors of the Company and its subsidiaries, any of its shareholders, suppliers, customers, consultants, advisers and joint venture partners or business alliance who have contributed or will contribute to the Group to take up options to subscribe for shares in the Company subject to the terms and conditions stipulated therein. A nominal consideration will be paid by the eligible participants for each lot of share options granted. An option may be exercised at any time during a period to be determined and identified by the directors to each grantee at the time of making the offer, but in any event, shall not exceed the period of ten years from the date of grant of the particular option, subject to the early termination of the New Scheme. No option has been granted by the Company during the two years ended 31 December 2006 and 2005.

The exercise price is determinable by the directors of the Company, and should not be less than the highest of the closing price of the Company's shares at the date of offer, the average closing price of the Company's shares for the five business days immediately preceding the date of offer and the nominal value of the Company's shares.

27. 購股權計劃(續)

年內購股權之變動如下:

二零零六年

				購股權數目				
				Number of share options				
授出日期		行使期	行使價	於二零零六年 一月一日 尚未行使 Outstanding at 1 January 2006	於年內授出 Granted during the year	於年內行使 Exercised during the year	於年內取消 Cancelled during the year	於二零零六年 十二月三十一日 尚未行使 Outstanding at 31 December 2006
Date of grant		Exercisable period	Exercise price 港元 HK\$					
僱員	二零零三年 一月二十三日	二零零三年一月二十七日至 二零一三年一月二十六日	1.10	1,500,000	—	—	—	1,500,000
Employees	23 January 2003	27 January 2003 – 26 January 2013						

二零零五年

二零零五年			2005					
			購股權數目					
			Number of share options					
			於二零零五年 一月一日			於二零零五年 十二月三十一日		
授出日期	行使期	行使價	尚未行使	於年內授出	於年內行使	於年內取消	尚未行使	
			Outstanding at	Granted	Exercised	Cancelled	Outstanding at	
Date of grant	Exercisable period	Exercise price	1 January	during	during	during	31 December	
		港元	2005	the year	the year	the year	2005	
		HK\$						
董事	二零零三年 一月二十三日	二零零三年一月二十七日至 二零一三年一月二十六日	1.10	5,000,000	—	—	(5,000,000)	—
Directors	23 January 2003	27 January 2003 – 26 January 2013						
僱員	二零零三年 一月二十三日	二零零三年一月二十七日至 二零一三年一月二十六日	1.10	1,500,000	—	—	—	1,500,000
Employees	23 January 2003	27 January 2003 – 26 January 2013						
			6,500,000	—	—	(5,000,000)	1,500,000	

27. 購股權計劃(續)

於資產負債表日，根據本公司舊計劃授出而尚未行使之購股權涉及之本公司股份數目為1,500,000股(二零零五年：1,500,000股)，佔於該日本公司已發行股份之0.11%(二零零五年：0.15%)。按舊計劃，於任何時日未經本公司股東允許，可授出之購股權並不可以超過本公司已發行股份之10%。

28. 關聯人士交易

(a) 應付關聯公司款項詳情如下：

		二零零六年 2006 千港元 HK\$'000	二零零五年 2005 千港元 HK\$'000
關聯公司名稱	Name of related company		
無錫泛亞環保科技 有限公司	Wuxi Pan-Asia Environmental Protection Technologies Limited	550	1,220

應付關聯公司款項是無抵押、不計利息及須應要求償還的。

由於應付關聯公司款項屬短期到期性質，其公平值與其賬面值相若。

錢元英在此公司擁有實際權益。

27. SHARE OPTION SCHEME (Continued)

At the balance sheet date, the number of shares in respect of which options had been granted and remained outstanding under the Old Scheme was 1,500,000 (2005: 1,500,000), representing 0.11% (2005: 0.15%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Old Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

28. RELATED PARTY TRANSACTIONS

(a) Particulars of amount due to a related company is as follows:

The amount due to a related company is unsecured, non-interest bearing and repayable on demand.

The fair value of the amount due to a related company approximates to the corresponding carrying amount due to short-term maturities.

Qian Yuanying has beneficial interests in this company.

28. 關聯人士交易 (續)

- (b) 於本年度，本集團進行以下關聯交易：

- (i) 本集團無償使用宜興新威集團有限公司的出口配額以安排其若干產品出口至中國以外地區。宜興新威集團有限公司為一家中國國內企業，由蔣泉龍及其子分別擁有90%及10%的權益。蔣泉龍亦是該企業的法定代表。宜興新威集團有限公司亦持有本公司一附屬公司宜興新威利成稀土有限公司的5%權益。

於截至二零零六年十二月三十一日止年度，本集團並無透過以上安排出口銷售。於二零零五年，透過以上安排的出口銷售約為5,662,000港元。

- (ii) 本集團已支付約212,000港元 (二零零五年：206,000港元) 的租金予蔣泉龍。
- (iii) 本集團已支付約52,000港元 (二零零五年：51,000港元) 的租金予無錫泛亞環保科技有限公司。

董事認為上述交易是一般的普通業務往來及基於普通的商業交易條件或有關交易的協定進行的。以上均得到非執行董事確認。

28. RELATED PARTY TRANSACTIONS (Continued)

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

- (i) The Group arranged certain export sales of its products outside the PRC using the export quota of Yixing Xinwei Group Co., Ltd. at nil 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. Yixing Xinwei Group Co., Ltd. also held 5% equity interests in Yixing Xinwei Leeshing Rare Earth Company Limited, a subsidiary of the Company.

During the year ended 31 December 2006, there was no export sales handled through this arrangement. In 2005, export sales handled through this arrangement amounted to approximately HK\$5,662,000.

- (ii) The Group paid rent of approximately HK\$212,000 (2005: HK\$206,000) to Jiang Quanlong.
- (iii) The Group paid rent of approximately HK\$52,000 (2005: HK\$51,000) to Wuxi Pan-Asia Environmental Protection Technologies Limited.

The directors are of the opinion that the above transactions were entered into under the normal course of business and on normal commercial terms or in accordance with the agreements governing such transactions, and this has been confirmed by the non-executive directors.

28. 關聯人士交易 (續)

(c) 應付董事款項詳情如下：

		二零零六年	二零零五年
		2006	2005
		千港元	千港元
		HK\$'000	HK\$'000
蔣泉龍	Jiang Quanlong	6,612	8,742
錢元英	Qian Yuanying	3,275	2,847
許盤鳳	Xu Panfeng	125	39
蔣才南	Jiang Cainan	50	222
		10,062	11,850

應付董事款項是無抵押、不計利息及須應要求償還的。

由於應付董事款項屬短期到期性質，所以其公平值與其賬面值相若。

主要管理人員之補償詳情載於附註10(b)。

The amounts due to directors are unsecured, non-interest bearing and repayable on demand.

The fair values of the amounts due to directors approximates to the corresponding carrying amounts due to short-term maturities.

Details of key management personnel compensations are set out in note 10(b).

29. 收購一家附屬公司

於二零零五年，本集團收購海城市蘇海鎂礦有限公司之全部註冊資本，總代價為人民幣120,000,000元（折合約115,385,000港元）。此交易已採用收購會計法入賬。

29. ACQUISITION OF A SUBSIDIARY

In 2005, the Group acquired the entire registered capital of Haicheng City Suhai Magnesium Ore Co., Ltd. at a total consideration of RMB120,000,000 (equivalent to approximately HK\$115,385,000). The transaction has been accounted for using the purchase method of accounting.

29. 收購一家附屬公司 (續)

交易所得的資產淨額及所產生的商譽如下：

29. ACQUISITION OF A SUBSIDIARY (Continued)

The net assets acquired in the transaction, and the goodwill arising, are as follows:

		公平值及合併前 被收購方之賬面值 Fair value and acquiree's carrying amount before combination 千港元 HK\$'000
所得的資產淨額：	Net assets acquired:	
物業、廠房及設備以及在建工程	Property, plant and equipment and construction-in-progress	42,278
預付租賃土地使用權款項	Prepaid lease payments on land use rights	2,190
存貨	Inventories	4,241
應收賬款及其他應收款	Accounts and other receivables	26,801
預付款項及按金	Prepayments and deposits	1,822
銀行結餘及現金	Bank balances and cash	428
應付賬款	Accounts payable	(1,593)
預提費用及其他應付款	Accruals and other payables	(22,088)
應付稅項	Tax payable	(1,869)
		52,210
收購所產生的商譽	Goodwill arising on acquisition	63,175
現金代價	Cash consideration	115,385
收購所產生的現金流淨額：	Net cash flow arising on acquisition:	
現金代價支出	Cash consideration paid	(115,385)
所得的銀行結餘及現金	Bank balances and cash acquired	428
		(114,957)

於截至二零零五年十二月三十一日止年度，海城市蘇海鎂礦有限公司對本集團之收入及除稅前溢利並無重大貢獻。

Haicheng City Suhai Magnesium Ore Co., Ltd. did not make significant contribution to the Group's revenue and profit before taxation for the year ended 31 December 2005.

30. 附屬公司

於二零零六年十二月三十一日本公司的
附屬公司詳情如下：

30. SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December
2006 are as follows:

附屬公司名稱	註冊成立／營運 之地點及日期	持有股份類別	註冊及 已繳足資本	已發行及 繳足資本	本公司應佔 權益／有投票權		主營業務
					股本百分比		
					Effective percentage		
					of equity interests/ voting rights held		
Name of subsidiary	Place and date of incorporation/operations	Class of shares held	Registered and fully paid capital	Issued and fully paid capital	by the Company		Principal activities
					直接 Directly %	間接 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	普通股	—	20美元	100	—	投資控股
Lee Shing Holdings Limited	British Virgin Islands 3 December 1998	Ordinary	—	US\$20	100	—	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	繳入資本	200,000美元	—	100	—	貿易
Wellfire (Shanghai) Company Limited	The PRC 24 February 2000	Contributed capital	US\$200,000	—	100	—	Trading
Dynamic Goal Worldwide Inc.	英屬處女群島 二零零零年五月三十一日	普通股	—	2美元	—	100	投資控股
Dynamic Goal Worldwide Inc.	British Virgin Islands 31 May 2000	Ordinary	—	US\$2	—	100	Investment holding
宜興新威利成稀土有限公司	中國 一九九三年七月十七日	繳入資本	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	Contributed capital	US\$15,660,000	—	—	95	Manufacture and sales of rare earth products

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30. 附屬公司 (續)

30. SUBSIDIARIES (Continued)

附屬公司名稱	註冊成立／營運	持有股份類別	註冊及	已發行及	本公司應佔		主營業務
	之地點及日期		已繳足資本	繳足資本	權益／有投票權		
					股本百分比		
					Effective percentage		
Name of subsidiary	Place and date of	Class of shares held	Registered and	fully paid	of equity interests/		Principal activities
	incorporation/operations		fully paid capital	capital	voting rights held		
					by the Company		
					直接	間接	
					Directly	Indirectly	
					%	%	
宜興新威利成耐火材料有限公司	中國	繳入資本	17,000,000美元	—	—	100	製造及銷售耐火產品
	一九九九年七月三十日						
Yixing Xinwei Leeshing Refractory Materials Company Limited	The PRC	Contributed capital	US\$17,000,000	—	—	100	Manufacture and sales of refractory products
	30 July 1999						
無錫新威熒光材料有限公司	中國	繳入資本	8,520,000美元	—	—	100	製造及銷售熒光產品
	二零零一年十二月二十日						
Wuxi Xinwei Fluorescent Materials Company Limited	The PRC	Contributed capital	US\$8,520,000	—	—	100	Manufacture and sales of fluorescent products
	20 December 2001						
新威稀土集團(香港)有限公司	香港	普通股	—	2港元	—	100	暫無業務
	一九九八年十月二十三日						
Xinwei Rare Earth Group (Hong Kong) Limited	Hong Kong	Ordinary	—	HK\$2	—	100	Dormant
	23 October 1998						
中國稀土貿易有限公司	香港	普通股	—	2港元	—	100	貿易
	二零零一年二月十六日						
China Rare Earth Trading Limited	Hong Kong	Ordinary	—	HK\$2	—	100	Trading
	16 February 2001						

30. 附屬公司 (續)

30. SUBSIDIARIES (Continued)

附屬公司名稱 Name of subsidiary	註冊成立／營運 之地點及日期 Place and date of incorporation/operations	持有股份類別 Class of shares held	註冊及 已繳足資本 Registered and fully paid capital	已發行及 繳足資本 Issued and fully paid capital	本公司應佔 權益／有投票權 股本百分比 Effective percentage of equity interests/ voting rights held by the Company		主營業務 Principal activities
					直接 Directly	間接 Indirectly	
					%	%	
無錫新威高溫陶瓷有限公司	中國 二零零二年四月一日	繳入資本	30,000,000港元	—	—	100	製造及銷售高溫陶瓷 產品
Wuxi Xinwei High Temperature Ceramics Co., Ltd	The PRC 1 April 2002	Contributed capital	HK\$30,000,000	—	—	100	Manufacture and sales of high temperature ceramics products
海城市蘇海鎂礦有限公司	中國 二零零二年四月二十七日	繳入資本	人民幣25,000,000	—	—	100	製造及銷售鎂砂產品
Haicheng City Suhai Magnesium Ore Co., Ltd.	The PRC 27 April 2002	Contributed capital	RMB25,000,000	—	—	100	Manufacture and sales of magnesium products
宜興威爾發非金屬材料 有限公司 ¹	中國 二零零六年九月二十七日	繳入資本	—	—	—	100	製造及銷售耐火產品
Yixing Wellfire Nonmetal Materials Co., Ltd. ¹	The PRC 27 September 2006	Contributed Capital	—	—	—	100	Manufacture and sales of refractory products

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30. 附屬公司 (續)

30. SUBSIDIARIES (Continued)

附屬公司名稱	註冊成立／營運 之地點及日期	持有股份類別	註冊及 已繳足資本	已發行及 繳足資本	本公司應佔 權益／有投票權 股本百分比		主營業務
					Effective percentage		
					Issued and of equity interests/ voting rights held		
					by the Company		
Name of subsidiary	Place and date of incorporation/operations	Class of shares held	Registered and fully paid capital	fully paid capital	Directly	Indirectly	Principal activities
					%	%	
海城新威利成鎂資源有限公司	中國 二零零六年九月二十八日	繳入資本	3,500,000美元	—	—	100	製造及銷售鎂砂產品
Hai Cheng Xinwei Leeshing Magnesium Resources Co., Ltd.	The PRC 28 September 2006	Contributed Capital	US\$3,500,000	—	—	100	Manufacture and sales of magnesium products

¹ 於資產負債表日，3,000,000美元之註冊資本尚未繳付。

¹ At the balance sheet date, the registered capital of US\$3,000,000 has not been paid up.

概無附屬公司擁有任何於年結日或年內任何時間持續有效之債務證券。

None of the subsidiaries had any debt securities subsisting at the end of the year or within any time during the year.

31. 比較數字

若干比較數字已重分類並與本年度綜合財務報表的呈報保持一致。

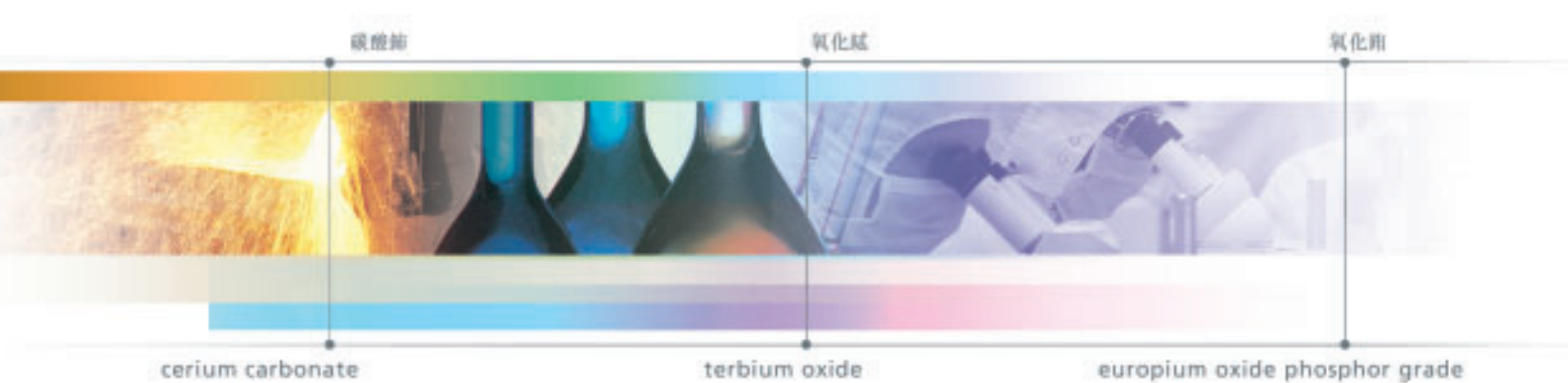
31. COMPARATIVE FIGURES

Certain comparative figures had been reclassified in conformity to the presentation of the consolidated financial statements for the year.

		截至十二月三十一日止年度 For the year ended 31 December				
		二零零六年 2006 千港元 HK\$'000	二零零五年 2005 千港元 HK\$'000	二零零四年 2004 千港元 HK\$'000	二零零三年 2003 千港元 HK\$'000	二零零二年 2002 千港元 HK\$'000
營業額	Turnover	1,031,082	769,370	665,320	457,077	467,663
銷售成本	Cost of sales	(732,577)	(565,407)	(484,667)	(345,034)	(363,602)
毛利	Gross profit	298,505	203,963	180,653	112,043	104,061
除稅前溢利	Profit before taxation	274,075	171,646	139,283	76,293	48,923
稅項	Taxation	(62,384)	(40,021)	(17,973)	(9,246)	(8,593)
本年度溢利	Profit for the year	211,691	131,625	121,310	67,047	40,330
應佔溢利：	Attributable to:					
本公司股東	Equity holders	209,255	130,207	119,658	66,587	41,039
少數股東權益	of the Company Minority interests	2,436	1,418	1,652	460	(709)
		211,691	131,625	121,310	67,047	40,330

		於十二月三十一日 As at 31 December				
		二零零六年 2006 千港元 HK\$'000	二零零五年 2005 千港元 HK\$'000	二零零四年 2004 千港元 HK\$'000	二零零三年 2003 千港元 HK\$'000	二零零二年 2002 千港元 HK\$'000
流動資產	Current assets	1,554,772	812,182	730,993	699,365	676,022
非流動資產	Non-current assets	910,639	781,782	696,343	391,450	352,760
資產總額	Total assets	2,465,411	1,593,964	1,427,336	1,090,815	1,028,782
流動負債	Current liabilities	227,454	145,249	107,660	78,397	75,266
非流動負債	Non-current liabilities	—	—	—	—	—
負債總額	Total liabilities	227,454	145,249	107,660	78,397	75,266
資產淨額	Net assets	2,237,957	1,448,715	1,319,676	1,012,418	953,516
股本	Share capital	142,114	98,695	98,695	81,445	81,445
儲備	Reserves	2,074,519	1,331,132	1,203,511	915,155	856,713
本公司股東應佔權益	Equity attributable to equity holders of the Company	2,216,633	1,429,827	1,302,206	996,600	938,158
少數股東權益	Minority interests	21,324	18,888	17,470	15,818	15,358
權益總額	Total equity	2,237,957	1,448,715	1,319,676	1,012,418	953,516

CARE



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

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