

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

主要業務

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

附屬公司的主要業務載於財務報表附註15。

分類資料

本集團分類資料的詳情載於財務報表附註4。

業績及分派

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

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

其他分派詳情載於財務報表附註21。

儲備

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

財務資料概要

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

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

PRINCIPAL ACTIVITIES

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

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

SEGMENTAL INFORMATION

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

RESULTS AND APPROPRIATIONS

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

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

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

RESERVES

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

FINANCIAL SUMMARY

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

物業、廠房及設備以及在建工程

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

股本

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

借貸

本集團的銀行借貸及銀行融資詳情載於財務報表附註22。

退休金計劃

本集團的退休金計劃詳情載於財務報表附註10。

董事

年內及直至本報告刊發日期之本公司的董事為：

執行董事

蔣泉龍先生(主席)

錢元英女士(副主席)

范亞軍先生

杜小梅女士(於二零零三年七月二日退任)

應玉明先生(於二零零三年一月二日獲委任
及於二零零三年四月二十九日
退任)

獨立非執行董事

劉余九先生

黃春華先生

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

PROPERTY, PLANT AND EQUIPMENT AND CONSTRUCTION-IN-PROGRESS

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

SHARE CAPITAL

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

BORROWINGS

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

RETIREMENT SCHEMES

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

DIRECTORS

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

Executive directors

Mr. Jiang Quanlong (*Chairman*)

Ms. Qian Yuanying (*Deputy Chairman*)

Mr. Fan Yajun

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

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

Independent non-executive directors

Mr. Liu Yujiu

Mr. Huang Chunhua

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

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

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

董事權益及淡倉

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

DIRECTORS' INTERESTS AND SHORT POSITIONS

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

1. 於本公司股份權益

1. Interests in shares of the Company

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

附註：

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

Note:

These shares are held through YY Holdings Limited, the entire issued share capital of which is held by YYT Limited, the trustee of YY Trust, the discretionary object of which is a company wholly owned by Ms. Qian Yuanying, the spouse of Mr. Jiang Quanlong, and her children.

2. 於相聯公司股份、相關股份或股本權益

(a) 新威稀土集團(香港)有限公司

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

(b) 宜興新威利成稀土有限公司

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

(c) YY Holdings Limited

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

附註：

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

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

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

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

(b) Yixing Xinwei Leeshing Rare Earth Company Limited

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

(c) YY Holdings Limited

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

Note:

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

3. 於本公司相關股份權益

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

購股權授予上述董事的細節於下文「購股權計劃」披露。

3. Interests in underlying shares of the Company

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

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

Save as disclosed above, as at 31 December 2003, none of the directors or chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporations as recorded in the register kept under Section 352 of the SFO.

購股權計劃

於一九九九年十月十四日，購股權計劃已被採納。其主要條款如下：

SHARE OPTION SCHEME

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

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

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

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

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

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

於二零零三年一月二十三日，若干董事及員工按購股權計劃被授出該等購股權。

於年內按購股權計劃被授予之購股權之變動如下：

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

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

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

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

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

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

緊隨購股權被授出日前本公司股份之收市價為1.10港元。

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

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

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

主要股東權益及淡倉

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

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

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

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

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

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

So far as is known to the directors, as at 31 December 2003, the interests and short positions of shareholders, other than the directors or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register kept by the Company pursuant to Section 336 of the SFO were as follows:

1. YY Holdings Limited, the entire issued share capital of which is held by YYT Limited, the trustee of YY Trust, the discretionary object of which is a company wholly owned by Ms Qian Yuanying, the spouse of Mr Jiang Quanlong, and her children, was holding 420,050,000 shares of the Company, representing approximately 51.57% of the issued share capital of the Company as beneficial owner.
2. YYT Limited, the trustee of YY Trust, was deemed to be interested in 420,050,000 shares of the Company held by YY Holdings Limited the entire issued share capital of which is held by YYT Limited.
3. Martin Currie China Hedge Fund Limited was holding 43,836,000 shares of the Company, representing approximately 5.38% of the issued share capital of the Company as investment manager.

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

董事於合約的權益

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

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

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

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

管理合約

年內概無訂立或存在任何對本集團全部或重大部份之業務與管理及行政有關之合約。

購買、出售或贖回本公司的上市證券

本集團於本年度內概無購買、出售或贖回任何本公司之上市證券。

Save as disclosed above, no other party, other than the directors or chief executive of the Company, had notified the Company that he had any interest or short position in the shares or underlying shares of the Company as recorded in the register kept under Section 336 of the SFO as at 31 December 2003.

DIRECTORS' INTERESTS IN CONTRACTS

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

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

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

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

MANAGEMENT CONTRACTS

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

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

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

主要客戶及供應商

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

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

優先購股權

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

最佳應用守則

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

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

核數師

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

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

承董事會命

主席
蔣泉龍

香港，二零零四年四月十五日

MAJOR CUSTOMERS AND SUPPLIERS

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

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

PRE-EMPTIVE RIGHTS

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

CODE OF BEST PRACTICE

The Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year ended 31 December 2003, except that the appointments of non-executive directors have been renewed without a specific term.

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

AUDITORS

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

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

On behalf of the Board

Jiang Quanlong
Chairman

Hong Kong, 15 April 2004