



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：00769

年報 | 2009
Annual Report







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公司資料

CORPORATE INFORMATION

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

Cricket Square
Hutchins Drive
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

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

Yixing
Jiangsu Province, PRC

PLACE OF BUSINESS IN HONG KONG

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

公司資料

CORPORATE INFORMATION

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

陳葉馮會計師事務所有限公司

AUDITORS

CCIF 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
法國巴黎銀行
中信嘉華銀行
中國銀行
南洋商業銀行

Hong Kong

Standard Chartered Bank
BNP Paribas
Citic Ka Wah Bank Limited
Bank of China
Nanyang Commercial Bank, Limited

主要股份過戶登記處

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (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

財務摘要

FINANCIAL HIGHLIGHTS

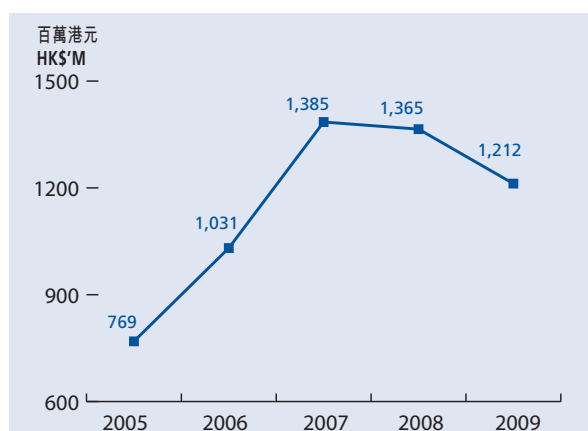
營業額

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

2005	769
2006	1,031
2007	1,385
2008	1,365
2009	1,212



股東應佔溢利/(虧損)淨額

NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS

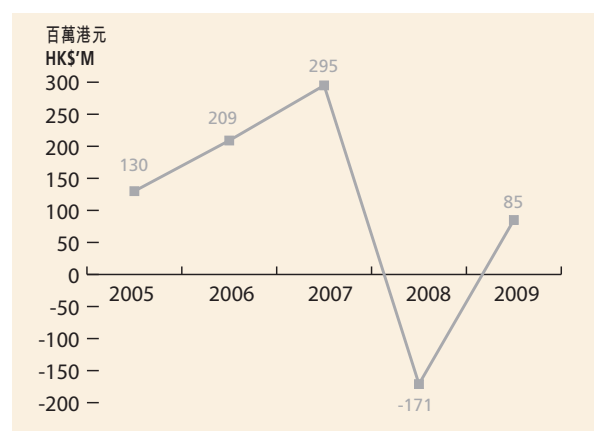
截至十二月三十一日止年度

百萬港元

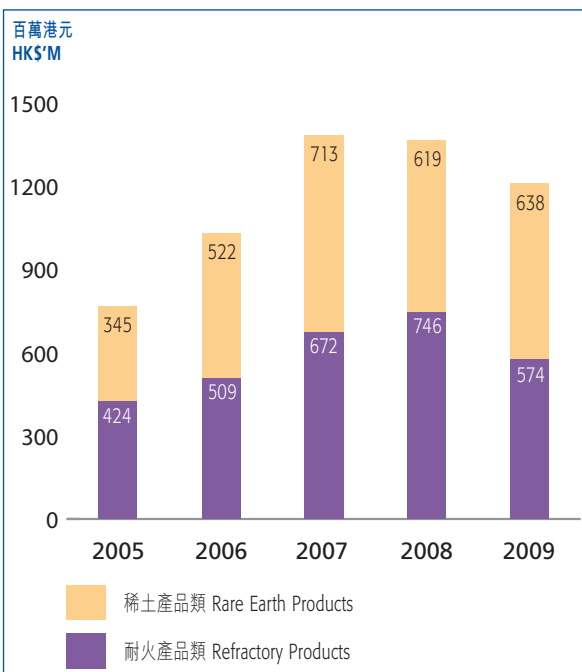
For the year ended 31 December

HK\$'M

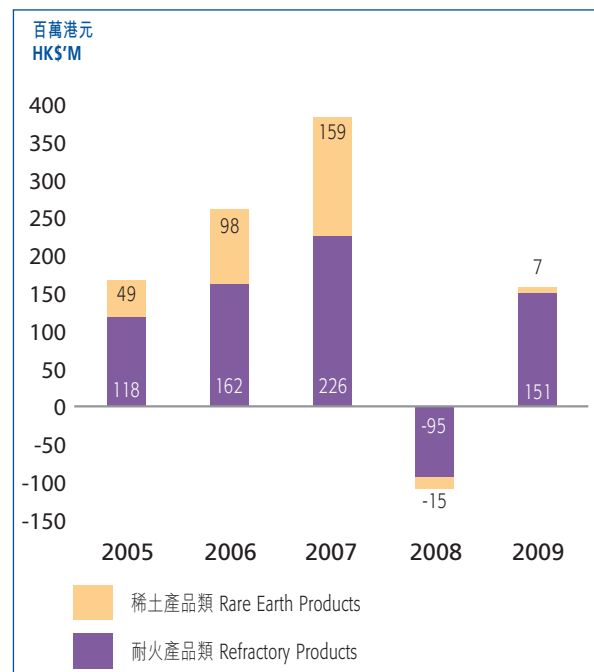
2005	130
2006	209
2007	295
2008	-171
2009	85



營業額 TURNOVER



分部業績 SEGMENT RESULTS

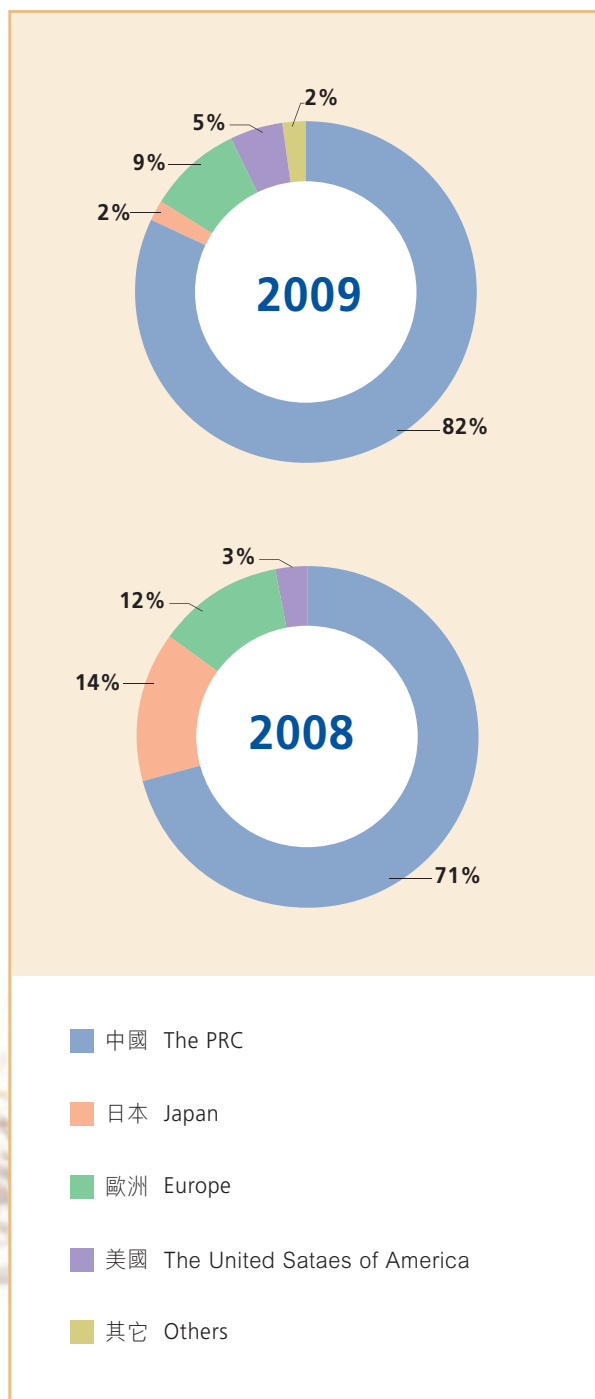


財務摘要

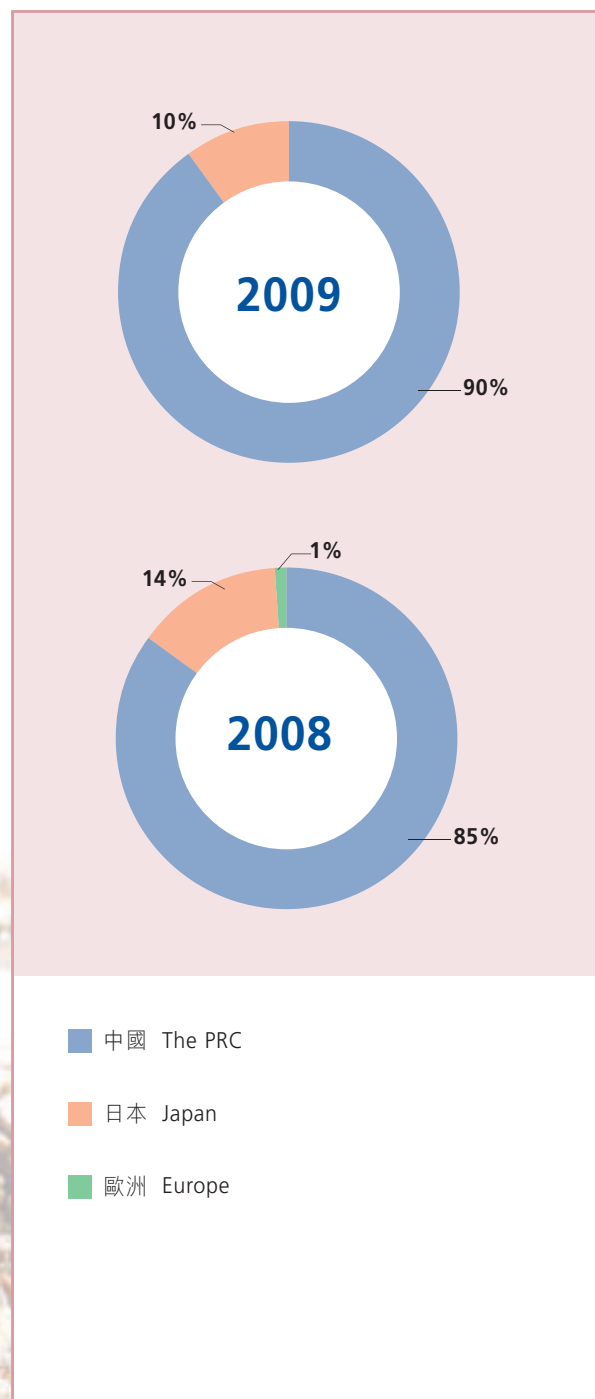
FINANCIAL HIGHLIGHTS

營業額 TURNOVER

稀土產品類
Rare Earth Products



耐火產品類
Refractory Products



主席報告書

CHAIRMAN'S STATEMENT



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」）截至二零零九年十二月三十一日止之全年業績報告。

回顧年內全球經濟受到金融危機的衝擊，本集團各業務亦無可避免地受到影響。雖然多國政府紛紛推出刺激經濟措施，使整體經濟於下半年自跌勢中慢慢喘定，然而，在經濟復甦步伐不明朗陰影下，消費信心持續疲弱，尤其是消費電子產品的需求下跌，影響了市場對稀土的需求，使本集團的稀土產品營業額及毛利均有所下跌。耐火材料業務方面，雖然其內需市場在中央政府的經濟刺激計劃下於下半年有所回升，但仍與金融海嘯前的水平有頗大距離。本集團將繼續採取有效的成本控制措施並整合生產線，在行業整合的階段中，進一步穩固本集團的基礎及地位。

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 2009.

During the year under review, the financial turmoil has impacted economies around the world and all of the Group's businesses were similarly affected without exception. Although the economic stimulus measures launched by various governments contributed to a slow recovery of the world economy from the macroeconomic slump during the second half of the year, with uncertainty of the pace of economic recovery, consumer confidence remained weak and the demand for consumer electronics plummeted. This had an adverse effect on the market demand for rare earth used in these products. As a result, the Group recorded a drop in both turnover and gross profit for its rare earth business. For the Group's refractory materials business, despite a rebound in domestic demand in the second half of the year in the aftermath of the Chinese Government's economic stimulus measures, a large gap remained compared with the level prior to the financial crisis. The Group plans to continue implementing effective cost control measures and rationalising its production lines in order to strengthen its business foundation as well as its position in the face of ongoing consolidation within the industry.

主席報告書

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另外，本集團亦於近年積極向上游產業發展和擴闊產品領域。本集團於二零零八年末完成收購的江華瑤族自治縣興華稀土新材料有限公司（「興華稀土」）及和平縣東冶稀土新材料有限公司（「東冶稀土」）已於本年內開始帶來盈利貢獻。本集團並於回顧期內落實與海外領先的製燈公司OSRAM GmbH（「歐司朗」）於中國成立合營公司，以研究、開發、生產及銷售優質熒光粉產品，並開始籌備於宜興市的現有廠房增設高端液晶顯示器稀土拋光粉生產線。此等策略性部署均有助本集團稀土業務的垂直整合，提高產品附加值，並擴闊本集團之收入來源及資產基礎，為本集團未來發展及增長帶來貢獻。

The Group has also actively integrated its business vertically while expanding its product range. Jianghua Yao Nationality Autonomous County Xinghua Rare Earth Company Limited ("Xinghua Rare Earth") and Heping County Dongye Rare Earth Company Limited ("Dongye Rare Earth"), which were acquired in late 2008 by the Group, began to contribute profit during the year. The Group also entered an agreement with OSRAM GmbH ("OSRAM"), a leading foreign lighting manufacturer, to set up a joint venture company in China to engage in research, development, production and sale of high quality fluorescent materials. Moreover, it has commenced preparations for adding a high-end LCD rare earth polishing powder production line to its existing plant in Yixing City. These strategic initiatives will enable the Group to vertically integrate its rare earth business, boost the value of its products and broaden its income streams and asset base, thus contributing to the future development and growth of the Group.

財務業績

截至二零零九年十二月三十一日止財政年度，本集團錄得營業額約為1,211,683,000港元（二零零八年：1,364,890,000港元）。當中稀土產品（包括熒光材料）的營業額約為637,725,000港元，約佔總營業額的53%，較去年同期之618,637,000港元上升約3%。耐火材料產品（包括高溫陶瓷及鎂砂）的營業額約為573,958,000港元，約佔總營業額的47%，較去年的746,253,000港元下跌約23%。另一方面，產品價格出現調整，加上本集團的產量下降使平均成本上升，故整體毛利率由去年的約26%下調至本年度的約19%。

FINANCIAL RESULTS

For the financial year ended 31 December 2009, the Group recorded a turnover of approximately HK\$1,211,683,000 (2008: HK\$1,364,890,000). The turnover from rare earth products, including fluorescent materials, was approximately HK\$637,725,000, accounting for about 53% of total turnover, an increase of 3% from last year's HK\$618,637,000. The refractory materials business, including high temperature ceramics and magnesium grains, brought in approximately HK\$573,958,000 in turnover, accounting for about 47% of the Group's total, 23% less than last year's HK\$746,253,000. At the same time, selling price of its products was adjusted and the average cost was pushed up as the Group reduced production volume. All these factors combined led to a drop in the overall gross profit margin to about 19% this year from about 26% in 2008.



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本集團於回顧年內成功轉虧為盈，錄得除稅後淨溢利約84,683,000港元（二零零八年：虧損172,407,000港元），主要由於本集團於去年度在經濟不景下為商譽和機器及設備做了逾3億港元的大幅減值撥備，而回顧年內並沒有再做同樣的撥備。本年度每股盈利約5.75港仙（二零零八年：每股虧損約12.03港仙）。

股息

為了保留資金於未來發展，以抓緊經濟復甦時的增長機會，董事會建議不派發二零零九年度之末期股息（二零零八年：無）。

業務回顧

稀土業務

二零零九年度上半年世界經濟面臨衰退的考驗，消費信心以至電子消費產品及汽車等的需求均受到打擊，影響了稀土的需求；雖然自第三季起市場氣氛稍為好轉，使原材料價格有所上漲，但是產品需求仍不熾熱，稀土價格仍於低位徘徊。年內，受惠於新收購的初步分組分離稀土鹽類產品及稀土金屬產品業務，提高了本集團稀土業務的銷售與利潤，致使本集團共售出約7,000噸稀土及深加工產品，較去年上升了約32%，若扣除新收購的業務則較去年下跌約28%。營業額較去年同期輕微上升約3%至637,725,000港元。平均毛利率則由約17%下調至約6%。

稀土氧化物方面，由於市況疲弱，故總銷售量比去年減少了約三成。價格方面，大部份產品的售價均有所下跌，跌幅最大的主要是廣泛應用於磁性材料的氧化鐳、氧化釹及氧化銻，其售價較去年平均下調了逾四成，而氧化鎳的售價亦較去年

The Group has managed to turn around to profitability during the year under review. Profit after taxation amounted to approximately HK\$84,683,000 (2008: loss of HK\$172,407,000). This reversal was primarily due to the provision of more than HK\$300,000,000 made for the impairment of goodwill and machinery and equipment during the economic downturn last year and no similar provision was made during the year under review. Earnings per share for this year were about HK 5.75 cents (2008: loss of HK 12.03 cents).

DIVIDENDS

To retain fund for future development and to be better positioned to capture growth opportunities as the economy revives, the Board does not recommend the payment of a final dividend for 2009 (2008: nil).

BUSINESS REVIEW

Rare Earth Business

As economies around the world were challenged by recession in the first half of 2009, consumer confidence and demand for consumer electronics and motor vehicles plummeted which in turn depressed the demand for rare earths. Despite the slight improvement in market sentiment starting from the third quarter of the year leading to increased raw material prices, the demand for rare earth products was still sluggish and the price of rare earth materials remained low. Thanks to the additional contributions from the businesses of rare earth salts (derived by preliminary separation of rare earth ore by groups) together with rare earth metal products which were newly acquired by the Group, the rare earth business was bolstered in both sales and profit during the year. The Group sold about 7,000 tonnes of rare earth and downstream products, a growth of about 32% against last year. Excluding the newly acquired businesses, there would have been a drop of about 28%. Turnover slightly increased by about 3% to HK\$637,725,000 against the same period last year. The average gross profit margin decreased from about 17% to about 6%.

In the Group's rare earth oxides division, total sales volume dropped by about 30% in the face of prevailing sluggish market conditions. Most of the products reported a decreased selling price with praseodymium oxide, neodymium oxide and terbium oxide mainly used in magnetic materials experiencing the biggest decline of more

主席報告書

CHAIRMAN'S STATEMENT

平均減少了逾15%，致使鐳、釹、銻及鐳系的產品佔整體稀土氧化物的銷售比例跌至不足四成。另外，主要應用在發光材料的鈮銻共沉的售價亦較去年平均下調了約10%，然而因為其在銷售量上仍能維持於二零零八年的水平，使其依然是本集團最主要產品之一。在銷售量及價格方面均普遍下跌的情況下，稀土氧化物的營業額下跌了約35%。原材料方面，由於上半年稀土市場整體疲軟，大部份生產商推遲採購，南方一些礦山處於半停產狀態。至下半年隨着市場逐漸回暖，在供應略有不足下，稀土原材料售價持續上漲。本集團在產量減少使平均成本上升的情況下，稀土氧化物業務出現了經營虧損。



下游深加工產品方面，由於國內大部份燈廠的銷售以出口歐、美為主，歐、美的經濟下滑亦使這些燈廠開工率大減，熒光材料的需求直接受到影響。然而市場需求自二零零九年中開始慢慢止跌回升，而且有賴於本集團的業務人員努力開發新客戶，致使二零零九年熒光粉的銷量能維持於二零零八年水平。但由於售價回落了25%至35%不等，使全年銷售額仍下跌了約33%，產量減少亦同樣使平均成本上升，本集團熒光材料的毛利率下調至約17%。

than 40% on average over last year. The selling price of dysprosium oxide was also lower by more than 15% on average over last year. As a result, the sales portion of praseodymium, neodymium, terbium and dysprosium products shrunk to less than 40% of overall rare earth oxide sales. In addition, the selling price of yttrium-europium co-precipitates that mainly used in fluorescent materials also decreased by about 10% on average year-on-year. However, with a sales volume nearly the same as 2008, it continued to be one of the Group's major products. With the sales volume and selling price dropping in general, the Group's sales revenues of rare earth oxides fell by about 35%. Regarding raw materials, given the overall weak market for rare earths, most of manufacturers deferred procurement and therefore some mines in southern China partly suspended their production lines. With

the overall market situation reviving in the second half of the year, the selling price of rare earth raw materials, by then in slightly short supply, rose. With the rising average cost caused by the reduction in production volume of the Group, the rare earth oxide business recorded an operating loss.

As for downstream product business, as the majority of lighting factories in China are exporters to overseas markets in Europe and the United States and the economies in these areas went into recession, their production also shrank, in turn directly affecting sales of the Group's fluorescent materials. However, market demand started to rebound in mid-2009 and, thanks to the efforts of the Group's staff to prospect for new customers, sales volume of fluorescent materials in 2009 remained nearly the same as in 2008. With selling price down ranging from 25% to 35%, annual sales revenue were reduced by approximately 33%. With reduced production volume leading to a rise in average cost, the gross profit margin of the Group's fluorescent materials was squeezed to approximately 17%.

在原有業務外，本集團透過於二零零八年新收購的興華稀土及東冶稀土，擴闊了本集團的稀土產品組合，增加了初步分組分離稀土鹽類產品及稀土金屬產品業務。回顧年內，本集團共售出約2,800噸稀土鹽類及約380噸稀土金屬。由於兩類產品的毛利率較其他稀土產品為高，有助彌補部分稀土氧化物及螢光材料銷售的下跌。但無形資產的攤銷沖減了該兩類產品的利潤，此兩業務於回顧年內對本集團的淨利潤貢獻合共約4,400萬港元。

為提升螢光材料產品之價值，於二零零九年十月十八日，本集團與全球領先的製燈商歐司朗訂立投資合同，訂約雙方同意於中國成立合營公司以從事研究、開發、生產及銷售優質螢光粉產品。整個計劃的投資總額將達43,500,000歐元，而本集團將擁有合營公司49.9%之權益。該合營公司之主要產品為應用於照明業之三基色螢光粉，計劃將銷售至中國及國際市場。其營運期預期為50年，項目全面投產後年產能將達2,000噸。

此外，本集團亦已於回顧期內落實興建用於高端液晶顯示器的稀土拋光粉生產線，計劃設於本集團在宜興市的現有廠房。整個項目完成後，本集團的拋光粉總年產量最高可增至2,000噸。

市場分佈方面，本集團的稀土業務依然以內銷為主，而新增的初步分組分離稀土鹽類產品及稀土金屬產品業務更只供中國廠家，故中國市場佔稀

The Group broadened its product mix beyond its existing businesses and added the businesses of rare earth salts created through preliminary separation of rare earths by groups together with rare earth metal products via the acquisition of Xinghua Rare Earth and Dongye Rare Earth in 2008. During the year under review, the Group sold about 2,800 tonnes of rare earth salts and about 380 tonnes of rare earth metals. With gross profit margins higher than those of the other rare earth products, these two divisions partially offset the decrease in sales of rare earth oxides and fluorescent materials. However, eroded by amortisation of intangible assets, the net profit contribution from these two divisions only amounted to approximately HK\$44,000,000 in the year under review.

To enhance the value of its fluorescent material products, the Group entered into a joint venture agreement in China with OSRAM, a leading global lighting manufacturer, on 18 October 2009 to engage in research, development, production and sale of high quality fluorescent materials. The total investment cost of the whole project would be EURO43,500,000 with the Group owning a 49.9% interest. The major products of the joint venture are tri-band phosphors for the lighting industry which will be sold both within China and abroad. With a proposed operating period of 50 years, when in full operation the joint venture is to have an annual production capacity of 2,000 tonnes.

During the year under review, the Group has also finalised the planning of construction of the high-end LCD rare earth polishing powder production line which will be located in the Group's existing plant in Yixing. Upon completion of the project, the Group's annual production capacity of polishing powder will reach up to 2,000 tonnes.

Domestic market remains the focus of the Group's rare earth business. Both the newly added rare earth salts created from preliminary separation of rare earth by groups and the rare earth



主席報告書

CHAIRMAN'S STATEMENT

土銷售總額的比例上升至約82%，而歐洲及日本分別約佔9%及2%。

耐火材料業務

耐火材料業務亦無可避免地於回顧年內受經濟環境不景氣影響，尤其上半年的銷售更大幅縮減。雖然與基建有關行業如鋼鐵及玻璃等的經營環境在下半年有所改善，對耐火材料的需求開始有所回升，但銷售氣氛仍較淡靜。回顧年內，本集團耐火材料業務的整體營業額由去年的746,253,000港元下跌約23%至573,958,000港元。

就一般耐火材料和高溫陶瓷方面，於二零零九年本集團共售出約76,000噸產品，比二零零八年減少了約26,500噸，跌幅約為兩成半。其中不定形澆注料的跌幅最嚴重，銷售減少了逾9,000噸，金額方面下跌了約六成。另外，由於日本市場對於金融海嘯的反應亦較為劇烈，致使以出口為主的鋁碳磚的業務也受到較大影響，年內只售出不足10,000噸。產品價格方面有升有跌，但主要產品如電鎔鎂鎢磚、鋁碳磚及賽隆系列的價格變化則不足10%。成本方面，原材料的價格則個別發

metals are only supplied to domestic manufacturers. Thus, the proportion of China's contribution to the Group's total rare earth sales increased to approximately 82%, whereas Europe and Japan accounted for 9% and 2% respectively.

Refractory Materials Business

The refractory materials business was not spared by the slack economy in the year under review, with sales shrinking substantially in the first half of the year. Although the operating environment of infrastructure-related industries including steel and glass improved in the second half which led to the rebound of demand for refractory materials business, sales were still relatively sluggish. During the year under review, the Group's sales revenue from refractory materials segment dropped by approximately 23% to HK\$573,958,000 against HK\$746,253,000 in 2008.

As for ordinary refractory materials and high temperature ceramics, the Group sold approximately 76,000 tonnes of products in 2009, a drop of about 26,500 tonnes or 25% from 2008. Within this division, unshaped casting materials recorded a relatively larger drop in sales volume of over 9,000 tonnes. Its sales revenue also dropped by approximately 60%. As the effects of the financial tsunami in Japan were more pronounced, and in turn which affected the export oriented alumina-graphite bricks business, the Group sold less than 10,000 tonnes of such product in the year. Price movements of products varies, with prices of major products such



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展。如棕剛玉於年末的價格較年初時下跌了約一成，用於賽隆系列的碳化硅則上升了約6%。然而燃料方面，重油的價格則受國際市場波動影響，年末的價格較年初時上升超逾五成。回顧年內，本集團的一般耐火材料及高溫陶瓷業務的毛利率維持於三成以上。



電鎔鎂砂方面，其需求

及銷售亦因為耐火材料整體市場的不景氣拖累而大幅減少，回顧年內本集團只對外售出了約12,600噸電鎔鎂砂，比去年減少了逾六成。平均售價仍能維持於去年相若水平。然而產量減少使平均成本上漲，促使電鎔鎂砂業務的毛利率下降至約20%。除了電鎔鎂砂外，本集團於年內第四季度亦趁着耐火材料市場逐漸回暖，將二零零八年已建成的高純鎂砂第一期生產線逐步運行試產。

市場方面，正如前述，日本市場受到經濟危機的影響較大，故於回顧年內出口市場合共只佔本集團整體耐火材料業務銷售額的約10%，中國市場比重增加至約90%。

as fused magnesium-chrome bricks, alumina-graphite bricks and the Sialon series experienced fluctuations of less than 10%. Costs of raw materials also varied with the year-end price of brown fused corundum declining by approximately 10% since the beginning of the year while the price of carbonated silicon used in the Sialon series rose by about 6%. Fuel costs increased in step with international trends, as the year-end price of heavy oil increased by more than 50% from the beginning of the year. The gross profit margins of ordinary refractory materials and high temperature ceramics remained at over 30% during the year under review.

The demand and sales for the fused magnesium grain business were also restricted by the depressed refractory materials market. The Group externally sold only approximately 12,600 tonnes of fused magnesium grain during the year under review, down by more than 60% when compared with last year. The average selling price maintained similarly to last year's level. But the drop in production volume also led to a rise in average cost, and, in turn, gross profit margin narrowed to approximately 20%. Besides, the Group took the advantage of the recovery in the refractory materials market in the fourth quarter of the year and started the trial production of phase I of the high purity magnesium grains line, which was initially completed in 2008.

As for overseas markets, since the Japanese market was more vulnerable to the economic crisis, the proportion of exports within the Group's overall refractory materials sales was only approximately 10%. The proportion of domestic sales within China increased to approximately 90%.

展望

各個政府推行刺激經濟措施後，部份經濟數據已呈復甦訊號，可是由於世界經濟仍未完全明朗，短期內可能仍有波動，消費信心並未完全恢復，故現時市場對稀土產品的需求雖有所回升，整體訂單仍較保守，稀土價格回升需時。本集團透過收購興華稀土及東冶稀土帶來之協同效益，加強了本集團的產品組合，並擴闊收入來源及資產基礎，將有助舒緩短期宏觀環境帶來的影響。

另一方面，由於稀土是非常重要的戰略資源，很多高新技術產品的必要原材料，加上世界各國均積極發展新能源和環保產業，勢將帶動全球對稀土產品的需求增加。中國作為全球最大的稀土儲藏、生產以及貿易國，為保護這種戰略資源及中國的自然環境，將繼續推出更多措施嚴格控制稀土礦開採、收緊稀土行業的準入條件，以及限制稀土的出口等，這將有利稀土行業的持續發展，稀土產品的價格預料將長期向上，故本集團對稀土市場的長遠前景十分看好。

為了迎接稀土行業復甦的周期和配合中央政府鼓勵發展高附加值的稀土業務的政策，本集團正積極加快稀土深加工產品業務的發展。本集團與國際知名電燈製造商歐司朗成立之稀土三基色螢光粉合營公司，將有助提升本集團在螢光材料的開發技術，在世界節能照明產品市場迅速發展的時機下增加市場份額。現正為該合營公司辦理向政府申請有關批文的工作，預計在今年年底完成生產線的興建並開始投產。

PROSPECTS

The economic stimulus packages launched by governments around the world boosted the economies and more signs of recovery were observed, but the global economy remains uncertain and may be volatile in the short-term while exhibiting weak consumer confidence. Demand for rare earth products picked up slightly, but customers are still conservative in placing orders, and some time would be required for the prices of rare earth products to return on the rising track. The synergies resulting from the acquisition of Xinghua Rare Earth and Dongye Rare Earth enhanced the product mix of the Group, enlarging both its sources of income and asset base while helping to alleviate the impact brought about by the short-term difficulties in the macroeconomic environment.

Rare earths represent a highly strategic resource, and are essential for many high-tech products. With many nations actively developing renewable energy and environmentally friendly industries, global demand on rare earth products is expected to rise again soon. China, with the largest reserve of rare earths as well as the largest producer and trading nation, is likely to continuously implement a series of measures to protect these strategic resources as well as the natural environment of the country which would tighten control over rare earth mining, raise the entry barrier and reduce export quotas. These moves are intended to facilitate the sustainable development of the industry and maintain the prices of rare earth at a high level, so we are confident about the long-term business prospects.

To make the most of the revival of the industry in line with the Central Government's policy to encourage the development of high value-added rare earth businesses, the Group has strived to develop the downstream rare earth business. The joint venture with OSRAM, a world renowned lighting manufacturer, to manufacture tri-band phosphors would benefit the Group by enhancing its research and development technology for fluorescent materials and enlarging its presence in the growing global energy-saving lighting market. Required documents are submitting to the Government for the approval of the joint venture with production lines expected to be completed and in operation by the end of the year.

至於本集團正在籌備建設的高端液晶顯示器稀土拋光粉生產線，預計亦將於今年內投產。高端液晶顯示器稀土拋光粉除用於大型高清屏幕、液晶顯示屏及3G手機顯示屏的精密拋光外，亦可應用於數碼相機鏡頭、視光眼鏡及珠寶等其他產品的拋光上。目前，國內市場出售的此種產品主要來自外國進口，本集團現計劃生產的高端液晶顯示器稀土拋光粉將主要於國內銷售，以滿足市場不斷增長的需求。



隨著本集團稀土深加工產品的產量增加，本集團亦考慮在適當時候擴大稀土分離的產能，以提供足夠的原材料供下游產品生產使用。

耐火材料業務方面，受惠於中國的基建需求，鋼鐵與玻璃行業會較快復甦，預期應用於此等行業的耐火材料需求會較快回升，有助推動本集團的耐火材料業務恢復增長動力。然而市場上不穩定因素仍未消除，故對短期業務仍抱持審慎態度。但本集團會加強研發步伐，希望能成功推出更多優質耐火材料產品，優化產品組合以迎合不同需要。

另一方面，本集團亦將繼續採取審慎的業務策略，並且精簡營運架構，專注提升現有生產線的使用率。憑藉本集團於中國市場的領先地位，並積極拓展成為縱向產業鏈的企業，本集團已準備充足，有信心能乘著未來經濟上揚，把握增長機會，令本集團發展為更強大的企業。

The Group is preparing to build a high-end LCD rare earth polishing powder production line, and to start production in 2010. Apart from precision polishing of large HD screens, LCD screens and 3G mobile phone screens, high-end LCD rare earth polishing powder is also widely used in the production of other products such as digital camera lenses and optical glasses as well as in polishing jewellery. At present, the products sold in the Chinese market are mainly imported from other countries; the Group intends that its high-end LCD rare earth polishing powder would be mainly sold in China to satisfy rising domestic demand.

To secure sufficient raw materials for the expansion of downstream products manufacturing, the Group also considers increasing the capacity of rare earth separation in due course.

With more infrastructure projects launched under the economic stimulus policy in China aiding the recovery of the domestic steel and glass industries in the country, the demand for the refractory materials used in these industries is expected to increase, thereby boosting our refractory materials business. However, while market uncertainties dampen optimism in the short term, we will step up research and development efforts to introduce more quality refractory products, thus creating better solutions for various industrial needs.

Adhering to our prudent business strategies, the Group will continue to streamline operational structure and enhance the utilisation rate of production lines. Leveraging our leading presence in China and through our ongoing efforts to become a vertically integrated products producer, the Group is ready to grasp the opportunities presented by the reviving market and to scale new heights of success.

股份配售

回顧年內，本公司進行了一項資金籌集活動。於二零零九年七、八月份期間，本公司以先舊後新形式以每股售價1.50港元發行了130,000,000股新增股份。交易完成後，本集團已發行股份數目增加至1,551,143,059股。所得款項淨額已撥作一般營運資金。

流動資金及財務資源

本集團一向維持審慎的資金安排。於金融風暴爆發前已安排了2,000萬美元的三年期定息銀行貸款，使本集團有充裕的資金應付未來投資專案的需要。於二零零九年十二月三十一日，本集團持有現金及銀行存款金額共約1,097,196,000港元。其中包括已抵押作為業務擔保及銀行信貸額的存款折合約值32,072,000港元。另外，於年結日，本集團仍記錄著3,000萬美元的銀行貸款，其中2,000萬美元將於二零一零年償還。本集團於年末的流動資產淨額約為1,608,882,000港元。總負債對總資產的比率約15%。

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。

本集團並未持有任何金融衍生工具產品。除了上述銀行貸款及銀行存款存在息差外，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。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，且美元及港元的匯率相對穩定。

僱員及薪酬

於二零零九年十二月三十一日，本集團僱用各級員工共約1,300人，包括多名大學畢業生及經驗豐富的專業翹楚，因應產量下降精簡了人力資源。本集團為員工提供完善的薪酬及福利制度，包括

PLACING OF SHARES

During the year, the Company embarked on a fund raising exercise. During July and August of 2009, the Company issued 130,000,000 new shares at HK\$1.50 per share by way of top-up placing, increasing the number of the Group's issued shares to 1,551,143,059. The net proceeds from the placing are to be used as general working capital.

LIQUIDITY AND FINANCIAL RESOURCES

The Group has continued to maintain prudent capital arrangements. It secured a three-year fixed rate bank loan in the amount of US\$20,000,000 before the financial crisis, and thus have abundant capital for future investments. The Group holds cash and bank deposits at approximately HK\$1,097,196,000 (including deposits of approximately HK\$32,072,000 pledged as guarantees for business and banking facilities) as at 31 December 2009. The Group has booked bank loans amounting to US\$30,000,000 as at the year-end date, of which US\$20,000,000 will be repaid by 2010. The Group had a balance of net current assets valued at approximately HK\$1,608,882,000 at the end of the year, with the total liabilities to total assets ratio increasing to around 15%.

Except for the stated pledged deposits, the Group had no other charge on assets. There was no material contingent liability.

The Group did not hold any financial derivative products. Except for the interest rate differential in bank deposits with the stated bank loans, it was not exposed to material risk from interest rate fluctuations. Regarding foreign exchange, most of the Group's assets, liabilities and transactions are denominated in Renminbi, and the rest are in US dollars or Hong Kong dollars. During the year, the Group was not exposed to material foreign exchange risks caused by appreciation of the Renminbi. The exchange rate of the US dollar and Hong Kong dollar was relatively stable.

STAFF AND REMUNERATION

As at 31 December 2009, the Group had a workforce of approximately 1,300 including new recruits among university graduates as well as experienced professionals. The Group was able to streamline its human resources structure based on reduced

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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38,446,000港元。另外，本集團亦經常安排在職培訓與員工以保持其專業水平。

致謝

本集團能持續穩健發展，實有賴各股東、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，以及為全體員工多年來努力的成果。在經濟仍未完全復甦的環境下更需各位的體諒，但本人對未來的前景仍充滿信心。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，二零一零年四月十九日

output. The Group provides a comprehensive staff remuneration and welfare system, including a share option scheme, to motivate staff to contribute their best efforts. During the year, the Group spent approximately HK\$38,446,000 on staff costs including directors' emoluments. It has also provided regular on-the-job training to employees to help them maintain professional standards.

APPRECIATION

It is the unwavering support and trust of shareholders, investors, customers, suppliers and business partners and the dedicated efforts of the entire staff that have enabled the Group to grow steadily over the years. Your continued understanding is especially important at a time when the economy has not yet fully revived, though I remain confident of the Group's prospects in the years ahead. On behalf of the Board and the management, I wish to express my heartfelt gratitude to all of you.

Jiang Quanlong

Chairman

Hong Kong, 19 April 2010

董事及高級管理人員簡介

DIRECTORS AND SENIOR MANAGEMENT PROFILE

執行董事

蔣泉龍先生，57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三十年經驗。於創辦本集團之前，蔣先生曾擔任一家耐火材料製造廠的經理及一家玻璃陶瓷製造公司的營業經理。此外，蔣先生亦為泛亞環保集團有限公司（其股份於香港聯合交易所有限公司上市）之主席兼執行董事，及本公司主要股東YY Holdings Limited之唯一董事。蔣先生為本集團副主席錢元英女士之丈夫。

錢元英女士，50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二十年經驗。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，45歲，於一九八七年加入本集團，至二零零五年獲委任為執行董事，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，51歲，於一九八六年加入本集團，至二零零五年獲委任為執行董事，主管耐火材料業務之銷售。蔣先生在耐火材料行業擁有逾三十年的豐富經驗。

EXECUTIVE DIRECTORS

Mr Jiang Quanlong, aged 57, 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 recognized as a senior economist by Jiangsu Provincial Personnel Department. Mr Jiang has over 30 years of experience in the rare earth and refractory materials industries. 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. Besides, Mr. Jiang is also the chairman and an executive director of Pan Asia Environmental Protection Group Limited, the shares of which are listed on The Stock Exchange of Hong Kong Limited, and the sole director of YY Holdings Limited, a substantial shareholder of the Company. Mr Jiang is the husband of Ms Qian Yuanying, the deputy chairman of the Group.

Ms Qian Yuanying, aged 50, 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 recognized as a senior economist by Jiangsu Provincial Personnel Department, and she is also qualified as a Chinese Career Manager. Ms Qian has over 20 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 45, joined the Group in 1987 and was appointed as an executive director in 2005. Ms Xu is responsible for the sales of rare earth business. Ms Xu has extensive experience in production and marketing of rare earth products.

Mr Jiang Cainan, aged 51, joined the Group in 1986 and was appointed as an executive director in 2005. Mr Jiang is responsible for the sales of refractory materials business. Mr Jiang has over 30 years of experience in the refractory materials industry.

董事及高級管理人員簡介

DIRECTORS AND SENIOR MANAGEMENT PROFILE

獨立非執行董事

劉余九先生，76歲，於一九九九年加入本集團，為本公司獨立非執行董事。劉先生為原國家計委稀土專家組應用開發組組長。現時劉先生是中國稀土學會名譽理事及中國稀土學報編委會成員。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，45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及武漢大學經濟學學士學位。現時黃先生是美國一家汽車公司副主席。黃先生於二零零七年五月至二零零九年四月期間為法國巴黎證券(亞洲)有限公司董事和中國資本市場策略師。在此之前，黃先生曾在香港一家上市公司任副主席及財務總監。黃先生在金融市場上擁有豐富的知識和經驗。

金重先生，58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，40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。加入本集團前，羅先生曾於香港一家國際會計師行任職核數經理。

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr Liu Yujiu, aged 76, joined the Group in 1999 as an independent non-executive director of the Company. Mr Liu was the head of the Rare-Earth Experts Group, Applications and Development Section under the State Planning Commission. Currently Mr Liu is an honorary executive of China Rare Earth Science Society and a member of the editorial committee of China Rare Earth Journal. Mr Liu was appointed as the chief engineer of China Rare Earth Development Corporation for the period from December 1992 to December 1997.

Mr Huang Chunhua, aged 45, joined the Group in 2001 as an independent non-executive director of the Company. Mr Huang obtained a Ph.D degree in Marketing and an MBA degree from the University of Strathclyde and a Bachelor degree in Economics from Wuhan University. Currently Mr Huang is the deputy chairman of an automotive company in the United States. For the period from May 2007 to April 2009, Mr Huang was a director and China equity market strategist of BNP Paribas Securities (Asia) Limited. Prior to that he was the deputy chairman and chief financial officer of a listed company in Hong Kong. Mr Huang has extensive knowledge and experience in financial market.

Mr Jin Zhong, aged 58, 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 40, 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 an audit manager in an international accounting firm in Hong Kong.

董事及高級管理人員簡介

DIRECTORS AND SENIOR MANAGEMENT PROFILE

高級管理層

俞正明先生，74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，41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二十年的生產管理經驗。

姚崇先生，52歲，於二零零六年加入本集團，現任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。姚先生在耐火材料行業擁有逾三十年經驗。

吳朝新先生，33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，48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十五年的經驗。

吳泉明先生，45歲，於一九八四年加入本集團，現任海城市蘇海鎂礦有限公司及海城新威利成鎂資源有限公司總經理，主管鎂砂業務之運作。吳先生在耐火材料原材料供應上擁有豐富的管理經驗。

趙建文先生，43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二十年的經驗。

SENIOR MANAGEMENT

Mr Yu Zhengming, aged 74, 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 41, joined the Group in 1988. Mr Xu is the general manager of Yixing Xinwei Leeshing Rare Earth Company Limited and is responsible for the operation of rare earth business. Mr Xu has over 20 years of experience in production management in the rare earth industry.

Mr Yao Chong, aged 52, joined the Group in 2006. Mr Yao is the general manager of Yixing Xinwei Leeshing Refractory Materials Company Limited and is responsible for the operation of refractory materials business. Mr Yao has over 30 years of experience in the refractory materials industry.

Mr Wu Chaoxin, aged 33, 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 48, 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 15 years of experience in administrative management and sales.

Mr Wu Quanming, aged 45, joined the Group in 1984. Mr Wu is the general manager of Haicheng City Suhai Magnesium Ore Company Limited and Hai Cheng Xinwei Leeshing Magnesium Resources Company Limited and is responsible for the operation of magnesium grains business. Mr Wu has extensive management experience in raw material supply of refractory materials.

Mr Zhao Jianwen, aged 43, joined the Group in 1987. Mr Zhao is the head of technology department of Yixing Xinwei Leeshing Rare Earth Company Limited. Mr Zhao has over 20 years of experience in the rare earth industry.

企業管治報告

CORPORATE GOVERNANCE REPORT

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。於截至二零零九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二零零九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。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”). Throughout the year ended 31 December 2009, 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 2009.

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. 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十四天送呈全體董事。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三天送呈全體董事，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 were 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 for taking and keeping 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 follows:

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恰當。

董事輪值退任

本公司之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、蔣才南先生及金重先生將輪值退任。

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3,360,000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 follows:

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

The Company's Articles of Association specify that every director should be subject to retirement by rotation at least once every three years. At the forthcoming annual general meeting, Mr Jiang Quanlong, Mr Jiang Cainan and Mr Jin Zhong 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\$3,360,000. 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。

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.

股東權利及投資者關係

本公司股東大會為股東及董事會提供溝通之機會。董事會主席以及薪酬委員會及審核委員會之主席(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,並於股東週年大會上就各重大事宜(包括選舉個別董事)提呈單獨決議案。股東週年大會通告連同相關文件最少於大會前二十日發送予股東,當中載列各提呈決議案的詳情、投票程序及其他有關資料。股東於股東大會上之所有投票須以點票表決方式進行。主席將於股東週年大會上就所提呈之各項決議案要求以點票方式表決,並將於股東週年大會上就決議案進行投票前對有關權利及程序作出闡釋。會上將委任獨立監票員進行點票,而點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師交談,以讓彼等瞭解本公司之最新發展情況。投資人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

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. Separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors. Notice of the annual general meeting together with related papers are sent to the shareholders at least 20 clear business days before the meeting, setting out details of each proposed resolution, voting procedures and other relevant information. All votes of shareholders at the general meeting will be decided by poll. The Chairman will demand that all resolutions put to the vote at the annual general meeting will be taken by poll and will explain such rights and procedures during the annual general meeting before voting on the resolutions. An independent scrutineer will be appointed to count the votes and the poll results will be posted on the websites of the Company and The Stock Exchange of Hong Kong Limited after the annual general meeting.

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.

董事會報告

DIRECTORS' REPORT

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」)截至二零零九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20。

分部資料

本集團分部資料的詳情載於綜合財務報表附註15。

業績及分派

本集團於截至二零零九年十二月三十一日止年度的業績載於本年報第41頁的綜合收益表內。

董事會建議不派發截至二零零九年十二月三十一日止年度的末期股息。

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。於二零零九年十二月三十一日，本公司可供分派給股東的儲備為1,443,575,000港元。

財務概要

本集團於過去五個財政年度的業績概要載於本年報第156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17。

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 (the "Group") for the year ended 31 December 2009.

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 20 to the consolidated financial statements.

SEGMENTAL INFORMATION

Details of segmental information of the Group are set out in Note 15 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2009 are set out in the consolidated income statement on page 41 of the annual report.

The directors do not recommend the payment of a final dividend for the year ended 31 December 2009.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution comprise the share premium account and accumulated profits. As at 31 December 2009, the reserves of the Company available for distribution to shareholders amounted to HK\$1,443,575,000.

FINANCIAL SUMMARY

A summary of the results of the Group for the past five financial years is set out on page 156 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 17 to the consolidated financial statements.

董事會報告

DIRECTORS' REPORT

股本

本公司於二零零九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29。

借貸

本集團於二零零九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27。

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。

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、蔣才南先生及金重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。

於二零零九年十二月三十一日，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。

SHARE CAPITAL

Details of the authorized and issued share capital of the Company as at 31 December 2009 are set out in Note 29 to the consolidated financial statements.

BORROWINGS

Details of the bank borrowings of the Group as at 31 December 2009 are set out in Note 27 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.

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, Mr Jiang Cainan and Mr Jin Zhong 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 2009, 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

於二零零九年十二月三十一日，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：

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
Director	Nature of interest/Capacity	Number of Shares	% to the issued share capital of the Company
蔣泉龍	配偶之權益／受控公司之權益	595,200,000	38.37%
Jiang Quanlong	Interest of spouse/Interest of controlled corporation	595,200,000	
錢元英	信託之成立人	595,200,000	38.37%
Qian Yuanying	Founder of a trust	595,200,000	
黃春華	實益擁有人	1,000,000	0.06%
Huang Chunhua	Beneficial owner	1,000,000	

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 (PTC) 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。

DIRECTORS' INTERESTS AND SHORT POSITIONS

As at 31 December 2009, 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. 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 (PTC) 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.

董事會報告
DIRECTORS' REPORT

2. 於相聯公司股份、相關股份或股本權益

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

(a) 微科資源有限公司

(a) *Microtech Resources Limited*

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
Director	Nature of interest/Capacity	% equity interest
蔣泉龍	受控公司之權益	5%
Jiang Quanlong	Interest of controlled corporation	5%

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.

董事會報告
DIRECTORS' REPORT

(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 (PTC) 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 (PTC) Limited的唯一董事。

Note:

The entire issued share capital of YY Holdings Limited is held by YYT (PTC) 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 (PTC) Limited.

除上述披露外，於二零零九年十二月三十一日，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 2009, 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，包括任何執行董事)、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時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.

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|--|---|
| <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>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>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>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>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. 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. 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. The New Scheme is valid and effective for a period of 10 years from 18 June 2004, the date on which the New Scheme was 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.

董事會報告

DIRECTORS' REPORT

於二零零九年十二月三十一日，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 remained outstanding as at 31 December 2009 are as follows:

被授人	行使價	授出日期	購股權數目	
			於二零零九年一月一日持有	於二零零九年十二月三十一日持有
Grantee	Date of grant	Exercise price	Held at 1 January 2009	Held at 31 December 2009
員工				
Employees				
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	1,500,000	1,500,000

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，惟授出之購股權之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，於二零零九年十二月三十一日，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 (PTC) 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38.37%。
2. YYT (PTC) 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的權益。

除上述披露外，於二零零九年十二月三十一日，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。

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245,000港元。

年內，本集團向一間由錢元英女士及蔣泉龍先生被視為擁有權益的關連公司無錫泛亞環保科技有限公司支付約60,000港元，作為使用其辦公室的代價。

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

So far as is known to the directors, as at 31 December 2009, 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 (PTC) Limited, was holding 595,200,000 shares of the Company, representing approximately 38.37% of the issued share capital of the Company as beneficial owner.
2. YYT (PTC) 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 (PTC) 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 2009.

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\$245,000.

During the year, the Group paid approximately HK\$60,000 as a compensation to Wuxi Pan-Asia Environmental Protection Technologies Limited, a related company in which Ms Qian Yuanying and Mr Jiang Quanlong were deemed to have beneficial interests, for the use as office premises.

董事會報告

DIRECTORS' REPORT

除上述及於綜合財務報表附註32披露外，於年結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。

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	12%
— 最大五名客戶合計	30%

採購

— 最大供應商	14%
— 最大五名供應商合計	44%

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。

Save as disclosed above and in Note 32 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 year-end 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.

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	12%
— five largest customers combined	30%

Purchases

— the largest supplier	14%
— five largest suppliers combined	44%

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.

董事會報告

DIRECTORS' REPORT

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。

核數師

由二零零五年始作為本公司核數師的信永中和(香港)會計師事務所有限公司於二零零八年七月十一日辭任而陳葉馮會計師事務所有限公司獲委任為本公司核數師。

陳葉馮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。

承董事會命

蔣泉龍

主席

香港，二零一零年四月十九日

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.

AUDITORS

SHINEWING (HK) CPA Limited, who act as the auditors of the Company since 2005, resigned on 11 July 2008 and CCIF CPA Limited was appointed as auditors of the Company.

CCIF CPA Limited retires and, being eligible, offers itself for re-appointment.

On behalf of the Board

Jiang Quanlong

Chairman

Hong Kong, 19 April 2010

獨立核數師報告

INDEPENDENT AUDITOR'S REPORT



CCIF

CCIF CPA LIMITED

陳葉馮會計師事務所有限公司

34/F The Lee Gardens

33 Hysan Avenue

Causeway Bay Hong Kong

香港 銅鑼灣 希慎道33號

利園34樓

獨立核數師報告

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41頁至第155頁的綜合財務報表，包括二零零九年十二月三十一日的綜合財務狀況表及 貴公司財務狀況表、截至該日止年度的綜合收益表、綜合全面收益表、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附註解釋。

董事就財務報表須承擔的責任

貴公司董事須負責根據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，及真實而公平地列報該等財務報表。這責任包括設計、實施及維護與編製及真實而公平地列報財務報表有關的內部監控，以使財務報表不存在由於欺詐或錯誤而導致的重大錯誤陳述；選擇和應用適當的會計政策；及按情況下作出合理的會計估計。

INDEPENDENT AUDITOR'S REPORT 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 to as the "Group") set out on pages 41 to 155, which comprise the consolidated and Company statements of financial position as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these 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 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.

獨立核數師報告

INDEPENDENT AUDITOR'S REPORT

核數師的責任

我們的責任是根據我們審核的結果，對該等財務報表作出意見，並僅向全體股東報告，除此以外，本報告不可用作其他用途。我們概不就本報告的內容，對任何其他人士負責或承擔法律責任。

我們已根據香港會計師公會頒佈的香港審計準則進行審核。這些準則要求我們遵守道德規範，並規劃及進行審核，以合理確定此等財務報表是否不存有任何重大錯誤陳述。

審核涉及執程序以獲取有關財務報表所載數額及披露事項有關的審核憑證。所選定的程序取決於核數師的判斷，包括評估由於欺詐或錯誤導致財務報表存有重大錯誤陳述的風險。在評估該風險評估時，核數師將考慮與該公司編製並真實兼公平地列報財務報表相關的內部監控，以設計適當審核程序，但並非為對公司的內部監控的效能表達意見。審核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，並就財務報表的整體呈列方式作出評估。

我們相信，我們所獲得的審核憑證是充足和適當地為審核意見提供基礎。

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the 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 entity'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 financial statements.

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

獨立核數師報告

INDEPENDENT AUDITOR'S REPORT

意見

我們認為，該等綜合財務報表已根據香港財務報告準則真實而公平地反映 貴公司及 貴集團於二零零九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妥為編製。

陳葉馮會計師事務所有限公司

執業會計師

香港，二零一零年四月十九日

何振誠

執業證書編號：P04396

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 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.

CCIF CPA Limited

Certified Public Accountants

Hong Kong, 19 April 2010

Ho Chun Shing

Practising Certificate Number P04396

綜合收益表

CONSOLIDATED INCOME STATEMENT

截至二零零九年十二月三十一日止年度 For the year ended 31 December 2009

			二零零九年 2009 千港元 HK\$' 000	二零零八年 2008 千港元 HK\$' 000
		附註 Note		
營業額	Turnover	5	1,211,683	1,364,890
銷售成本	Cost of sales		(980,246)	(1,015,603)
毛利	Gross profit		231,437	349,287
其他收益	Other revenue	6	19,310	13,554
銷售及分銷費用	Selling and distribution expenses		(38,306)	(60,139)
管理費用	Administrative expenses		(58,314)	(105,359)
其他收入淨值	Other income, net		8,183	696
財務成本	Finance costs	7(a)	(17,968)	(10,288)
商譽之減值虧損	Impairment loss on goodwill	16	-	(208,804)
物業、廠房及設備之 減值虧損	Impairment loss on property, plant and equipment	17(a)(iii)	-	(97,498)
除稅前溢利／(虧損)	Profit/(loss) before taxation	7	144,342	(118,551)
所得稅	Income tax	8	(59,659)	(53,856)
本年度溢利／(虧損)	Profit/(loss) for the year		84,683	(172,407)
應佔：	Attributable to:			
本公司擁有人	Owners of the Company	12	84,593	(170,972)
少數股東權益	Minority interests		90	(1,435)
			84,683	(172,407)
每股盈利／(虧損)	Earnings/(loss) per share		港仙 HK cents	港仙 HK cents
—基本	— Basic	14(a)	5.75	(12.03)
—攤薄	— Diluted	14(b)	5.75	(12.03)

第50頁至155頁之附註構成財務報表其中一部份。

The notes on pages 50 to 155 form part of these financial statements.

綜合全面收益表

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

截至二零零九年十二月三十一日止年度 For the year ended 31 December 2009

		二零零九年	二零零八年
		2009	2008
		千港元	千港元
		HK\$'000	HK\$'000
	附註 Note		
本年度溢利／(虧損)	Profit/(loss) for the year	84,683	(172,407)
本年度其他全面收益	Other comprehensive income for the year		
換算海外附屬公司財務報表之匯兌差額	Exchange differences on translation of financial statements of overseas subsidiaries	3,966	136,628
持作自用之樓宇重估盈餘	Surplus on revaluation of buildings held for own use	-	40,587
	17(a)(ii)		
持作自用之樓宇重估遞延稅項	Deferred tax on revaluation of buildings held for own use	-	(10,146)
	28(b)		
		3,966	167,069
本年度全面收益總值	Total comprehensive income for the year	88,649	(5,338)
應佔：	Attributable to:		
本公司擁有人	Owners of the Company	88,512	(6,268)
少數股東權益	Minority interests	137	930
本年度全面收益總值	Total comprehensive income for the year	88,649	(5,338)

第50頁至155頁之附註構成財務報表其中一部份。

The notes on pages 50 to 155 form part of these financial statements.

綜合財務狀況表

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

於二零零九年十二月三十一日 As at 31 December 2009

			二零零九年 2009 千港元 HK\$'000	二零零八年 2008 千港元 HK\$'000
		附註 Note		
非流動資產	Non-current assets			
商譽	Goodwill	16	85,980	85,843
物業、廠房及設備	Property, plant and equipment	17(a)	635,542	715,124
經營租約下預付土地租金	Prepaid lease payments on land under operating leases	18	257,106	262,444
無形資產	Intangible assets	19	349,223	379,014
已抵押銀行存款	Pledged bank deposit	24	–	15,000
受限制銀行結餘	Restricted bank balance	24	23,250	22,678
遞延稅項資產	Deferred tax assets	28(b)	21,639	20,432
			1,372,740	1,500,535
流動資產	Current assets			
經營租約下預付土地租金	Prepaid lease payments on land under operating leases	18	5,756	5,746
存貨	Inventories	21	234,590	308,837
應收賬款及其他應收款	Trade and other receivables	22	467,395	412,019
預付款項及按金	Prepayments and deposits	22	68,645	70,042
可收回稅項	Tax recoverable	28(a)	16,509	27,799
已抵押銀行存款	Pledged bank deposits	24	–	119,797
受限制銀行結餘	Restricted bank balances	24	8,822	4,309
現金及現金等值項目	Cash and cash equivalents	25	1,065,124	765,252
			1,866,841	1,713,801
流動負債	Current liabilities			
應付賬款	Trade payables	26	76,625	116,189
預提費用及其他應付款	Accruals and other payables	26	53,660	97,120
應付董事款項	Amounts due to directors	23	709	667
於一年內到期的銀行貸款	Bank borrowings due within one year	27	108,158	140,123
應付稅項	Tax payable	28(a)	18,807	9,712
收購附屬公司之遞延應付 代價	Deferred consideration payables for acquisition of subsidiaries	34	–	115,659
			257,959	479,470
流動資產淨值	Net current assets		1,608,882	1,234,331
資產總值減流動負債	Total assets less current liabilities		2,981,622	2,734,866

綜合財務狀況表

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

於二零零九年十二月三十一日 As at 31 December 2009

			二零零九年	二零零八年
			2009	2008
		附註	千港元	千港元
		Note	HK\$' 000	HK\$' 000
非流動負債	Non-current liabilities			
銀行貸款	Bank borrowings	27	135,625	155,000
遞延稅項負債	Deferred tax liabilities	28(b)	97,878	106,337
			233,503	261,337
資產淨值	NET ASSETS		2,748,119	2,473,529
資本及儲備	CAPITAL AND RESERVES			
股本	Share capital	29(b)	155,114	142,114
儲備	Reserves	29(a)	2,563,706	2,302,253
本公司擁有人應佔權益	Equity attributable to owners of the Company		2,718,820	2,444,367
少數股東權益	Minority interests		29,299	29,162
權益總值	TOTAL EQUITY		2,748,119	2,473,529

董事會於二零一零年四月十九日批准及授權刊發。

Approved and authorised for issue by the board of directors on 19 April 2010.

蔣泉龍
董事

錢元英
董事

Jiang Quanlong
Director

Qian Yuanying
Director

第50頁至155頁之附註構成財務報表其中一部份。

The notes on pages 50 to 155 form part of these financial statements.

財務狀況表

STATEMENT OF FINANCIAL POSITION

於二零零九年十二月三十一日 As at 31 December 2009

			二零零九年 2009 千港元 HK\$'000	二零零八年 2008 千港元 HK\$'000
	附註 Note			
非流動資產	Non-current assets			
物業、廠房及設備	Property, plant and equipment	17(b)	35	20
於附屬公司之投資	Investments in subsidiaries	20	151,707	151,707
已抵押銀行存款	Pledged bank deposit	24	–	15,000
受限制銀行結餘	Restricted bank balance	24	23,250	–
			174,992	166,727
流動資產	Current assets			
應收賬款及其他應收款	Trade and other receivables	22	67	621
預付款項及按金	Prepayments and deposits	22	746	656
應收附屬公司款項	Amounts due from subsidiaries	23	1,364,910	1,276,509
已抵押銀行存款	Pledged bank deposits	24	–	27,270
受限制銀行結餘	Restricted bank balance	24	5,279	–
現金及現金等值項目	Cash and cash equivalents	25	293,622	152,031
			1,664,624	1,457,087
流動負債	Current liabilities			
預提費用及其他應付款	Accruals and other payables	26	7,297	6,638
應付附屬公司款項	Amounts due to subsidiaries	23	255	255
應付董事款項	Amounts due to directors	23	875	753
於一年內到期的銀行貸款	Bank borrowings due within one year	27	96,875	22,500
			105,302	30,146
流動資產淨值	Net current assets		1,559,322	1,426,941
資產總值減流動負債	Total assets less current liabilities		1,734,314	1,593,668
非流動負債	Non-current liabilities			
銀行貸款	Bank borrowings	27	135,625	155,000
資產淨值	NET ASSETS		1,598,689	1,438,668
資本及儲備	CAPITAL AND RESERVES			
股本	Share capital	29(b)	155,114	142,114
儲備	Reserves	29(a)	1,443,575	1,296,554
權益總值	TOTAL EQUITY		1,598,689	1,438,668

董事會於二零一零年四月十九日批准及授權刊發。

Approved and authorised for issue by the board of directors on 19 April 2010.

蔣泉龍
董事

錢元英
董事

Jiang Quanlong
Director

Qian Yuanying
Director

第50頁至155頁之附註構成財務報表其中一部份。

The notes on pages 50 to 155 form part of these financial statements.

綜合權益變動表

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

截至二零零九年十二月三十一日止年度 For the year ended 31 December 2009

本公司擁有人應佔權益

Attributable to owners of the Company

		股本	股份溢價	資本儲備	樓宇重估儲備	法定儲備	股息儲備	匯兌儲備	保留溢利	總值	少數股東權益	總值
		Share capital	Share premium	Capital reserve	Buildings revaluation reserve	Statutory reserves	Dividend reserve	Translation reserve	Retained profits	Total	Minority interests	Total
		千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
於二零零八年一月一日	At 1 January 2008	142,114	1,152,531	22,348	-	117,962	56,846	143,561	886,330	2,521,692	28,232	2,549,924
全面收益	Comprehensive income											
本年度虧損	Loss for the year	-	-	-	-	-	-	-	(170,972)	(170,972)	(1,435)	(172,407)
其他全面收益	Other comprehensive income											
換算海外附屬公司 財務報表之匯兌差額	Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	-	-	-	134,908	-	134,908	1,720	136,628
持作自用之樓宇重估盈餘 (附註17(a)(ii))	Surplus on revaluation of buildings held for own use (note 17(a)(ii))	-	-	-	39,728	-	-	-	-	39,728	859	40,587
持作自用之樓宇重估 遞延稅項(附註28(b))	Deferred tax on revaluation of buildings held for own use (note 28(b))	-	-	-	(9,932)	-	-	-	-	(9,932)	(214)	(10,146)
全面收益總值	Total comprehensive income	-	-	-	29,796	-	-	134,908	(170,972)	(6,268)	930	(5,338)
與擁有人之交易	Transactions with owners											
分配至法定儲備	Appropriations to statutory reserves	-	-	-	-	20,345	-	-	(20,345)	-	-	-
預留股息(附註13)	Dividend set aside (note 13)	-	-	-	-	-	14,211	-	(14,211)	-	-	-
已付二零零七年末期股息	Final dividend paid for 2007	-	-	-	-	-	(56,846)	-	-	(56,846)	-	(56,846)
已付二零零八年中期股息	Interim dividend paid for 2008	-	-	-	-	-	(14,211)	-	-	(14,211)	-	(14,211)
與擁有人之交易總值	Total transactions with owners	-	-	-	-	20,345	(56,846)	-	(34,556)	(71,057)	-	(71,057)
於二零零八年十二月 三十一日及二零零九年 一月一日	At 31 December 2008 and 1 January 2009	142,114	1,152,531	22,348	29,796	138,307	-	278,469	680,802	2,444,367	29,162	2,473,529

綜合權益變動表

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

截至二零零九年十二月三十一日止年度 For the year ended 31 December 2009

本公司擁有人應佔權益
Attributable to owners of the Company

		股本	股份溢價	資本儲備	樓宇重估儲備	法定儲備	股息儲備	匯兌儲備	保留溢利	總值	少數股東權益	總值
		Share capital	Share premium	Capital reserve	Buildings revaluation reserve	Statutory reserves	Dividend reserve	Translation reserve	Retained profits	Total	Minority interests	Total
		千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
於二零零八年十二月三十一日及二零零九年一月一日	At 31 December 2008 and 1 January 2009	142,114	1,152,531	22,348	29,796	138,307	-	278,469	680,802	2,444,367	29,162	2,473,529
全面收益	Comprehensive income											
本年度溢利	Profit for the year	-	-	-	-	-	-	-	84,593	84,593	90	84,683
其他全面收益	Other comprehensive income											
換算海外附屬公司財務報表之匯兌差額	Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	-	-	-	3,919	-	3,919	47	3,966
持作自用之樓宇重估折舊轉撥至保留溢利	Transfer to retained profits in respect of depreciation on revaluation of buildings held for own use	-	-	-	(2,782)	-	-	-	2,782	-	-	-
全面收益總值	Total comprehensive income	-	-	-	(2,782)	-	-	3,919	87,375	88,512	137	88,649
與擁有人之交易	Transactions with owners											
透過股份配售發行新股份	Issue of new shares by share placement	13,000	182,000	-	-	-	-	-	-	195,000	-	195,000
發行新股份之交易成本	Transaction costs attributable to issue of new shares	-	(9,059)	-	-	-	-	-	-	(9,059)	-	(9,059)
分配至法定儲備	Appropriations to statutory reserves	-	-	-	-	10,295	-	-	(10,295)	-	-	-
與擁有人之交易總值	Total transactions with owners	13,000	172,941	-	-	10,295	-	-	(10,295)	185,941	-	185,941
於二零零九年十二月三十一日	At 31 December 2009	155,114	1,325,472	22,348	27,014	148,602	-	282,388	757,882	2,718,820	29,299	2,748,119

第50頁至155頁之附註構成財務報表其中一部份。

The notes on pages 50 to 155 form part of these financial statements.

綜合現金流量表

CONSOLIDATED STATEMENT OF CASH FLOWS

截至二零零九年十二月三十一日止年度 For the year ended 31 December 2009

		二零零九年 2009 千港元 HK\$'000	二零零八年 2008 千港元 HK\$'000
	附註 Note		
經營活動	Operating activities		
除稅前溢利／(虧損)	Profit/(loss) before taxation	144,342	(118,551)
調整項目：	Adjustments for:		
財務成本	Finance costs	7(a) 17,968	10,288
利息收入	Interest income	6 (10,043)	(9,330)
物業、廠房及設備 之折舊	Depreciation of property, plant and equipment	7(c) 94,798	91,956
經營租約下預付土地 租金之攤銷	Amortisation of prepaid lease payments on land under operating leases	7(c) 5,750	4,515
無形資產攤銷	Amortisation of intangible assets	7(c) 30,369	–
商譽之減值虧損	Impairment loss on goodwill	16 –	208,804
物業、廠房及設備 之減值虧損	Impairment loss on property, plant and equipment	17(a)(iii) –	97,498
應收賬款及其他應收款 之減值虧損	Impairment loss on trade and other receivables	7(c) 3,996	22,089
應收賬款及其他應收款 之減值虧損撥回	Write back of impairment loss on trade and other receivables	6 (9,267)	(4,224)
出售物業、廠房及設備 之(收益)／虧損淨值	Net (gains)/losses on disposal of property, plant and equipment	7(c) (309)	9,494
物業、廠房及設備之 重估虧絀	Revaluation deficit on property, plant and equipment	7(c) –	29,646
存貨撇除	Write down of inventories	21(b) 22,691	37,551
壞賬撇銷	Bad debt written off	7(c) 53	–
營運資金變動前的經營 現金流量	Operating cash flows before changes in working capital	300,348	379,736
存貨減少／(增加)	Decrease/(increase) in inventories	51,472	(37,450)
應收賬款及其他應收款 (增加)／減少	(Increase)/decrease in trade and other receivables	(50,199)	25,686
預付款項及按金減少	Decrease in prepayments and deposits	1,397	81,109
應付賬款(減少)／增加	(Decrease)/increase in trade payables	(39,564)	35,225
預提費用及其他應付款減少	Decrease in accruals and other payables	(43,460)	(121,099)
應付董事款項增加	Increase in amounts due to directors	42	107
經營所得的現金	Cash generated from operations	220,036	363,314
已付稅款	Tax paid		
已付中國企業所得稅	PRC Enterprise Income Tax paid	(49,056)	(111,170)
經營活動所得的現金淨值	Net cash generated from operating activities	170,980	252,144

綜合現金流量表

CONSOLIDATED STATEMENT OF CASH FLOWS

截至二零零九年十二月三十一日止年度 For the year ended 31 December 2009

		二零零九年 2009 千港元 HK\$' 000	二零零八年 2008 千港元 HK\$' 000
	附註 Note		
投資活動	Investing activities		
購置物業、廠房及設備	Purchase of property, plant and equipment	(14,227)	(37,168)
出售物業、廠房及設備所得款項	Proceeds from disposal of property, plant and equipment	393	139
經營租約下預付土地租金	Prepaid lease payments on land under operating leases	-	(6,819)
退還收購物業、廠房及設備之按金	Refund of deposits for acquisition of property, plant and equipment	-	5,939
定期銀行存款減少	Decrease in fixed bank deposits	-	25,000
已抵押銀行存款及受限制銀行結餘減少／(增加)	Decrease/(increase) in pledged bank deposits and restricted bank balances	129,712	(61,780)
已收利息	Interest received	10,043	9,330
已付收購附屬公司之遞延代價	Deferred consideration paid for acquisition of subsidiaries	(115,659)	-
收購附屬公司現金流出淨值	Net cash outflow from acquisition of subsidiaries	-	(266,088)
	34(a) & (b)		
投資活動所得／(使用)的現金淨值	Net cash generated from/(used in) investing activities	10,262	(331,447)
融資活動	Financing activities		
配售新股份之所得款項淨值	Net proceeds from placement of new shares	185,941	-
償還銀行貸款	Repayment of bank borrowings	(292,111)	(255,242)
新造銀行貸款所得款項	Proceeds from new bank borrowings	240,658	442,346
已付股息	Dividends paid	-	(71,057)
已付銀行貸款利息	Interest paid on bank borrowings	(17,968)	(10,288)
融資活動所得現金淨值	Net cash from financing activities	116,520	105,759
現金及現金等值項目增加淨值	Net increase in cash and cash equivalents	297,762	26,456
年初現金及現金等值項目	Cash and cash equivalents at beginning of the year	765,252	651,992
外幣匯率變動之影響	Effect of changes in exchange rate	2,110	86,804
年末現金及現金等值項目	Cash and cash equivalents at end of the year	1,065,124	765,252
	25		

第50頁至155頁之附註構成財務報表其中一部份。

The notes on pages 50 to 155 form part of these financial statements.

財務報表附註

NOTES TO THE FINANCIAL STATEMENTS

截至二零零九年十二月三十一日止年度 For the year ended 31 December 2009

1. 一般資料

中國稀土控股有限公司(「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。

本公司之直接母公司及最終控股人士為YY Holdings Limited(「YY Holdings」)，該公司於英屬處女群島註冊成立。YY Holdings並無編製可供公眾人士使用之財務報表。

本公司及其附屬公司(統稱為「本集團」)從事投資控股及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)。

本集團之主要業務於中華人民共和國(「中國」)進行。本綜合財務報表以港元(「港元」)列示，即本公司之功能貨幣，而中國註冊成立附屬公司之功能貨幣為人民幣(「人民幣」)。董事認為，就控制及監察本集團業績及財務狀況以及向YY Holdings(其功能貨幣為港元)報告而言，以港元列示綜合財務報表更為得宜。

1. GENERAL

China Rare Earth Holdings Limited (the "Company") was 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 immediate parent and the ultimate controlling party of the Company is YY Holdings Limited ("YY Holdings"), which is incorporated in the British Virgin Islands. YY Holdings does not produce financial statements available for public use.

The Company and its subsidiaries (collectively referred to as the "Group") are engaged in investment holding and the manufacture and sales of rare earth products (including fluorescent products) and refractory products (including high temperature ceramics products and magnesium grains).

The principal operations of the Group are conducted in the People's Republic of China ("PRC"). The consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is the functional currency of the Company, while the functional currency of the subsidiaries incorporated in the PRC is Renminbi ("RMB"). The directors consider that presenting consolidated financial statements in HK\$ is preferable when controlling and monitoring the performance and financial position of the Group and in reporting to YY Holdings whose functional currency is HK\$.

2. 主要會計政策

a) 遵守聲明

此等財務報表是按照所有適用香港財務報告準則（「香港財務報告準則」）編製，該統稱包括所有由香港會計師公會（「香港會計師公會」）頒佈的個別適用的《香港財務報告準則》、《香港會計準則》（「香港會計準則」）及詮釋、香港公認會計原則，及香港《公司條例》之披露規定。此外，此等財務報表亦已遵照聯交所證券上市規則中適用的披露規定。本集團採納之主要會計政策概要載於下文。

香港會計師公會已頒佈若干修訂本及詮釋，並且現時及已經生效。彼亦已頒佈若干新訂及經修訂之香港財務報告準則，有關準則自本集團及本公司的本會計期間初次生效或可供提前採用。有關初步應用該等準則而產生之會計政策變動之資料載於附註3內，惟以該等準則於此等財務報表所反映之現有及過往會計期間與本集團有關者為限。

b) 財務報表編製基準

截至二零零九年十二月三十一日止年度之綜合財務報表包括本公司及其附屬公司之財務報表。

除下文會計政策另有披露者外，編製財務報表所採用之計量基準為歷史成本法。

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain amendments and interpretations which are or have become effective. It has also issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on the changes in accounting policies resulting from the initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2009 comprise the financial statements of the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis, except those disclosed otherwise in the accounting policies below.

2. 主要會計政策 (續)

b) 財務報表編製基準 (續)

編製此等符合香港財務報告準則之財務報表需要管理層作出判斷、估計及假設，而該等判斷、估計及假設會影響政策之應用及所申報之資產、負債、收入及開支等數額。該等估計及有關假設乃根據過往經驗及管理層相信於該等情況下乃屬合理之各項其他因素為基準而作出，所得結果構成管理層就目前未能從其他來源而得出的資產及負債之賬面值所作出估計之基準。實際數字或會有別於估計數字。

本集團持續就所作估計及相關假設作出評估。會計估計之變動如僅影響當期，則有關會計估計變動將於當期確認，或如有關變動影響現行及未來期間，則在變動期間及未來期間確認。

管理層在應用香港財務報告準則時所作出並對財務報表有重大影響之判斷，以及作出極可能在下年度構成重大調整風險之估計，詳述於附註4。

c) 附屬公司及少數股東權益

附屬公司為本集團控制之實體。於本集團有權監管該實體之財務及經營決策，以自其業務獲取利益時，即存在控制。於評估控制權時，將計及現時可行使之潛在投票權。

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Basis of preparation of the financial statements (Continued)

The preparation of financial statements in conformity to HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 4.

c) Subsidiaries and minority interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

2. 主要會計政策 (續)

c) 附屬公司及少數股東權益 (續)

於附屬公司之投資會自控制開始日期起合併入賬綜合財務報表內，直至控制結束日期為止。集團內公司間之結餘及交易和集團內公司間之交易所產生之任何未變現溢利於編製綜合財務報表時悉數抵銷。倘並無出現減值跡象，集團內公司間之交易所產生之未變現虧損則按照未變現收益之相同方式抵銷。

少數股東權益指並非由本公司直接或間接透過附屬公司擁有之權益所佔附屬公司之資產淨值，而本集團未有就此與該權益持有人達成任何附加協議，致令本集團整體上對該等權益產生符合金融負債定義之合約責任。少數股東權益會在綜合財務狀況表之權益項目中，與本公司擁有人之應佔權益分開呈報。而少數股東所佔集團業績之權益則會在綜合收益表及綜合全面收益表中列作為本公司少數股東與本公司擁有人之間的年內損益總額分配。

倘少數股東應佔之虧損超過其應佔附屬公司股權之權益，超額部份及任何其他少數股東應佔虧損便會沖減本集團所佔權益；惟如少數股東有具約束力之義務及有能力作出額外投資彌補虧損則除外。附屬公司之所有其後溢利均會分配予本集團，直至收回以往由本集團承擔之少數股東應佔虧損為止。

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Subsidiaries and minority interests (Continued)

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to owners of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss for the year between minority interests and the owners of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

2. 主要會計政策 (續)

c) 附屬公司及少數股東權益 (續)

根據附註2(k)、(l)或(p)，少數股東權益持有人的貸款及其他有關該等持有人的合約責任，於綜合財務狀況表(視乎負債性質而定)列為金融負債。

在本公司之財務狀況表內，於附屬公司之投資按成本值減去任何減值虧損(見附註2(h)(ii))列賬(除非該投資被分類為持作出售)。

d) 商譽

商譽即商業合併之成本超過本集團應佔所收購業務之可辨別資產、負債及或然負債之公平淨值之數。

商譽按成本值減累計減值虧損列賬。業務合併所產生之商譽被分配至預期可受惠於合併之協同效益之賺取現金單位或一組賺取現金單位，並須每年作減值測試(見附註2(h)(ii))。

在商業合併時，若本集團應佔所收購業務之可辨別資產、負債及或然負債之公平淨值高於成本值，超出之金額即時在綜合收益表確認。

於年內出售單一賺取現金單位時，其應佔已收購商譽金額會於計算出售交易之盈虧時計入其中。

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Subsidiaries and minority interests (Continued)

Loans from holders of minority interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 2(k), (l) or (p) depending on the nature of the liability.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less any impairment loss (see note 2(h)(ii)), unless the investments are classified as held for sale.

d) Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on business combination is allocated to each cash-generating unit or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(h)(ii)).

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination is recognised immediately in the consolidated income statement.

On disposal of a cash-generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

2. 主要會計政策 (續)

e) 物業、廠房及設備

持作自用之樓宇部份在財務狀況表中按重估值(即其於重估日期之公平值)減去其後任何累計折舊列賬。

公司會經常進行重估，以確保此等資產之賬面值與其於申報期間結算日之公平值並無重大差異。

除持作自用之樓宇外，其他物業、廠房及設備於財務狀況表內按成本值減累計折舊及累計減值虧損入賬(見附註2(h)(ii))。

重估持作自用之樓宇所產生之變動一般撥入重估儲備處理，但下列情況除外：

- 倘出現重估虧絀，超出於緊接重估前就同一項資產於重估儲備內持有之金額部份會在收益表支銷；及
- 倘出現重估盈餘，便會計入收益表，並以就同一項資產先前已於收益表內支銷之重估虧絀為限計算。

自行興建之物業、廠房及設備之成本，包括材料成本、直接工資、(如適用)初步估計拆卸及搬遷項目以及恢復項目所在地原貌之成本，以及適當比例之其他成本及貸款成本(見附註2(s))。

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Property, plant and equipment

Buildings held for own use are stated in the statement of financial position at their revalued amount, being their fair value at the date of the revaluation less any subsequent accumulated depreciation.

Revaluations are performed with sufficient regularity to ensure that the carrying amount of these assets does not differ materially from that which would be determined using fair values at the end of the reporting period.

Except for buildings held for own use, other property, plant and equipment are stated in the statement of financial position at cost less accumulated depreciation and accumulated impairment losses (see note 2(h)(ii)).

Changes arising on the revaluation of buildings held for own use are generally dealt with in revaluation reserve. The only exceptions are as follows:

- when a deficit arises on revaluation, it will be charged to the income statement to the extent that it exceeds the amount held in the revaluation reserve in respect of that same asset immediately prior to the revaluation; and
- when a surplus arises on revaluation, it will be credited to the income statement to the extent that a deficit on revaluation in respect of that same asset had previously been charged to income statement.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(s)).

2. 主要會計政策 (續)

e) 物業、廠房及設備 (續)

物業、廠房及設備報廢或被出售所產生之盈虧以出售所得款項淨額與資產之賬面值之間的差額釐定，並於報廢或出售當日在收益表中確認。

物業、廠房及設備之折舊乃使用直線法按其如下估計可使用年期撇銷其成本值或估值減估計剩餘價值 (如有)：

– 持作自用之樓宇	20年
– 機器及設備	10年
– 辦公室設備及裝置	5年
– 汽車	5年

當一項物業、廠房及設備之各部份有不同的可使用年期，此項目各部份之成本值或估值將按合理基礎分配，而每部份將作個別折舊。資產之可使用年期及其剩餘價值 (如有) 會每年進行檢討。

在建工程指興建中和有待安裝的物業、廠房及設備，按成本減累計減值虧損 (如有) 列賬。成本包括樓宇建築成本、機器及設備成本以及在興建或安裝及測試期間為收購該等資產融資貸款所產生的利息費用。在建工程截至相關資產建設完成且可作擬定用途前不會計提折舊。有關資產投入使用時，該等成本會撥歸其他物業、廠房及設備，並按上文所載的政策折舊。

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Property, plant and equipment (Continued)

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net proceeds on disposal and the carrying amount of the item and are recognised in the income statement on the date of retirement or disposal.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

– Buildings held for own use	20 years
– Machinery and equipment	10 years
– Office equipment and fixtures	5 years
– Motor vehicles	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Construction-in-progress represents property, plant and equipment under construction and pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction of buildings, the costs of machinery and equipment and interest charges arising from borrowings used to finance the acquisition of these assets during the period of construction or installation and testing. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and are available for their intended use. When the assets concerned are brought into use, the costs are transferred to other property, plant and equipment and depreciated in accordance with the policy as stated above.

2. 主要會計政策 (續)

f) 無形資產 (商譽除外)

研究活動之開支於產生期間確認為開支。倘有關產品或工序在技術上及商業上屬可行，而且本集團有充足資源及意向完成開發工作，則開發活動之開支會撥充資本。已撥充資本之開支包括物料成本、直接工資及直接屬於開發活動之間接開支及貸款成本 (倘適用) 按適當比例計算之金額 (見附註2(s))。已撥充資本之開發成本按成本值減去累計攤銷及減值虧損 (見附註2(h)(ii)) 列賬。其他開發開支於產生時確認為開支。

本集團收購所得之其他無形資產在財務狀況表中按成本值減去累計攤銷 (如估計可使用年期有限) 及減值虧損列賬 (見附註2(h)(ii))。內部產生商譽及品牌之支出於產生期間確認為開支。

具有限使用年期之無形資產之攤銷，於有關資產之估計可使用年期 (董事釐定為有限期) 內按直線法自收益表扣除。下列具有限使用年期之無形資產自彼等可供使用之日起計算攤銷，而彼等之估計可使用年期如下：

- 稀土礦物獨家採購權	16年
- 稀土礦物初步分離之技術專業知識	10年
- 稀土金屬產品之技術專業知識	10年

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Intangible assets (other than goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour and an appropriate proportion of overheads and borrowing costs, where applicable (see note 2(s)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 2(h)(ii)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated in the statement of financial position at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(h)(ii)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to the income statement on a straight-line basis over the assets' estimated useful lives which are determined by the directors to be finite. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

- Exclusive right to purchase rare earth minerals	16 years
- Technical know-how for preliminary separation of rare earth minerals	10 years
- Technical know-how for rare earth metal products	10 years

2. 主要會計政策 (續)

f) 無形資產 (商譽除外) (續)

攤銷年期及方法，以及無形資產之可使用年期為無限期之結論均會每年檢討。

g) 租賃資產

倘本集團決定安排在協定期限內出讓一項特定資產或多項資產之使用權，以換取一筆付款或一連串付款，則有關安排 (包括一項交易或一連串交易) 即屬於或包括租賃。有關決定根據對安排本質之評估 (不論安排是否以法定租賃形式) 作出。

i) 出租予本集團之資產分類

倘本集團根據租賃持有資產而有關租賃將擁有權涉及之絕大部份風險及回報轉移至本集團，則有關資產列作根據融資租賃持有。並無將擁有權涉及之絕大部份風險及回報轉移至本集團之租賃則列作經營租賃。

ii) 經營租賃費用

如屬本集團根據經營租賃使用資產之情況，則根據租賃作出之付款會在租賃期所涵蓋之會計期間內，以等額方式計入收益表中；惟如有其他基準能更清楚地反映租賃資產所產生之收益模式則除外。已收取之租賃獎勵在收益表中確認為總租賃付款淨額的一部份。或有租金於其產生之會計期間計入收益表中。

根據經營租賃持有之土地之收購成本乃於租賃期內以直線法攤銷。

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Intangible assets (other than goodwill) (Continued)

Both the period and method of amortisation and any conclusion that the useful life of an intangible asset is indefinite are reviewed annually.

g) Lease assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

2. 主要會計政策 (續)

h) 資產減值

i) 應收款項之減值

按成本值或攤銷成本列賬的流動與非流動應收款項會於各個申報期間結算日進行檢討，以判斷有否存在客觀減值證據。減值之客觀證據包括本集團注意到以下一項或多項虧損事項之顯著數據：

- 債務人有重大財務困難；
- 違反合約，如拖欠償還利息或本金；
- 債務人可能破產或進行其他財務重組；及
- 科技、市場、經濟或法律環境有重大改變而對債務人有不利影響。

如存在任何上述證據，則會釐定及確認減值虧損如下：

- 就按攤銷成本列賬之應收賬款及其他金融資產而言，減值虧損按資產之賬面值與按金融資產最初之實際利率（即此等資產最初確認時計算所得之實際利率）（如折現影響重大）估計之未來現金流量現值之差額計算。如按攤銷成本列賬之金融資產具備類似之風險特徵，例如類似的逾期情況及並未單獨被評估為出現減值，則有關的評估會以組合形式進行。金融資產之未來現金流量會根據與該組被評估資產具有類似信貸風險特徵資產之過往虧損情況以組合形式評估減值。

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Impairment of assets

i) Impairment of receivables

Current and non-current receivables that are carried at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter into bankruptcy or other financial reorganisation; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For trade and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

2. 主要會計政策(續)

h) 資產減值(續)

i) 應收款項之減值(續)

倘於其後期間減值虧損金額有所減少，而客觀上與確認減值虧損後發生之事件有關，有關減值虧損會撥回收益表。減值虧損之撥回不應導致資產之賬面值超過其在以往年度沒有確認任何減值虧損而應已釐定之數額。

減值虧損從相應資產中直接撇銷，惟如包含在應收賬款及其他應收款中之應收賬款及票據，其是否可以收回屬難以預料，而並非微乎其微，則就其確認之減值虧損不會從相應的資產中直接撇銷。在此情況下，呆壞賬之減值虧損以撥備賬記錄。倘本集團確認能收回應收賬款之機會微乎其微，則被視為不可收回之金額會直接從應收賬款及應收票據中撇銷，而在撥備賬中就有關債務保留之任何金額會被撥回。倘之前計入撥備賬之款項在其後收回，則有關款項於撥備賬撥回。撥備賬之其他變動及其後收回先前直接撇銷之款項均於收益表確認。

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Impairment of assets (Continued)

i) Impairment of receivables (Continued)

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the income statement. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in the income statement.

2. 主要會計政策(續)

h) 資產減值(續)

ii) 其他資產之減值

本集團會於每個申報期間結算日審閱內部及外界所得資料，以確定下列資產(商譽除外)是否出現減值或先前已確認之減值虧損不再存在或已經減少：

- 商譽；
- 物業、廠房及設備(按重估數額列賬之樓宇除外)；
- 經營租約下預付土地租金；
- 無形資產；及
- 於附屬公司之投資

倘出現任何該等跡象，則估計資產之可收回數額。此外，就商譽、尚未可供使用之無形資產及並無固定使用年期之無形資產而言，其可收回數額會每年估計(不論有否出現減值跡象)。

- 可收回數額計算

資產之可收回數額乃指公平值減銷售成本與使用價值兩者中之較高者。在評估使用價值時，估計日後現金流量乃根據除稅前折現率折現至現值，而該折現率須能反映市場現行對款項的時間價值及資產獨有風險之評估。倘某項資產之現金流量大致上不能獨立於其他資產之現金流量，則就可獨立產生現金流量之最小資產組別(即賺取現金單位)釐定可收回數額。

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Impairment of assets (Continued)

ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- goodwill;
- property, plant and equipment (other than buildings carried at revalued amounts);
- prepaid lease payments on land under operating leases;
- intangible assets; and
- investments in subsidiaries.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e., a cash-generating unit).

2. 主要會計政策(續)

h) 資產減值(續)

ii) 其他資產之減值(續)

– 減值虧損確認

倘資產或其所屬之賺取現金單位之賬面值超過其可收回數額，則於收益表確認減值虧損。就賺取現金單位確認之減值虧損而言，其首先用作減少已分配至賺取現金單位(或單位類別)之任何商譽之賬面值，其後按比例基準用作減少單位(或單位類別)內其他資產之賬面值；惟資產之賬面值將不得減少至低於其個別公平值減出售成本或使用價值(如能計算)。

– 減值虧損撥回

就商譽以外的資產而言，倘用作釐定可收回數額之估計出現有利變動，則須撥回減值虧損。商譽之減值虧損不會撥回。

減值虧損撥回只限於該資產並未計算過往年度所確認之減值虧損時之賬面值。減值虧損撥回之數於確認有關撥回之年度計入收益表內。

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Impairment of assets (Continued)

ii) Impairment of other assets (Continued)

– Recognition of impairment losses

An impairment loss is recognised in the income statement whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of a cash-generating unit are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair values less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

2. 主要會計政策 (續)

h) 資產減值 (續)

iii) 中期財務報告及減值

根據聯交所證券上市規則，本集團須按照《香港會計準則》第34號「中期財務報告」之規定就有關財政年度首六個月編製中期財務報告。於中期期末，本集團採用其於財政年度結束時將採用之同一減值測試、確認及撥回標準（見附註2(h)(i)及(ii)）。

於中期期間就商譽確認之減值虧損不會於其後的期間撥回。假設有關於中期期間的減值評估於財政年度結束時進行，即使沒有確認虧損或確認較少之虧損，均採用以上相同處理方法。

i) 存貨

存貨按成本值及可變現淨值（以較低者為準）列賬。

成本根據加權平均成本公式計算，包括所有採購成本以及使存貨達至現址和現況所產生之轉換成本及其他成本。

可變現淨值乃於日常業務過程中之估計售價減估計完成成本及進行銷售所必要之估計成本。

當售出存貨時，該等存貨之賬面值乃於確認相關收入之期間確認為一項開支。任何存貨撇減至可變現淨值之金額及存貨之所有虧損均於發生撇減或虧損之期間確認為一項開支。任何存貨撇減之回撥金額乃於回撥發生之期間確認為先前已列為一項開支之存貨金額之減少。

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Impairment of assets (Continued)

iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(h)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

i) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2. 主要會計政策(續)

j) 應收賬款及其他應收款

應收賬款及其他應收款初步按公平值確認，其後按攤銷成本減呆賬減值撥備列賬(見附註2(h)(i))，惟倘應收款項為向關連人士作出之免息貸款且無任何固定償還年期或折現之影響並不重大則除外。於該等情況下，應收款項按成本減呆賬減值撥備列賬(見附註2(h)(i))。

k) 計息貸款

計息貸款初步按公平值減應佔之交易成本確認。於初步確認後，計息貸款按攤銷成本列賬，而初步確認之金額與贖回價值兩者之任何差額連同任何應付之利息及費用，乃採用實際利率法按貸款之期間於收益表確認。

l) 應付賬款及其他應付款

應付賬款及其他應付款初步按公平值確認，其後按攤銷成本列賬，除非折現之影響並不重大，於此情況下則按成本列賬。

m) 現金及現金等值項目

現金及現金等值項目包括銀行及手頭之現金、存放於銀行及其他金融機構之活期存款，以及於購入時至到期日為三個月以內之可輕易轉換為已知數額現金且價值變動風險不大之短期高流動性投資。就綜合現金流量表而言，須按要求償還及構成本集團現金管理整體一部份之銀行透支，亦列為現金及現金等值項目之組成部份。

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 2(h)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see note 2(h)(i)).

k) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the income statement over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

l) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

2. 主要會計政策(續)

n) 僱員福利

i) 短期僱員福利及界定供款退休計劃之供款

薪金、年度花紅、已付年假、向界定供款退休計劃之供款及非貨幣福利之成本均於僱員提供相關服務之年度內預提。倘付款或結算被遞延且影響重大，則該等金額按其現值列賬。

ii) 於二零零二年十一月七日後授予僱員並於二零零五年一月一日前歸屬之購股權

所授出購股權之財務影響於該等購股權獲行使之前並不於綜合財務報表記錄，而有關所授出購股權價值之支出乃於綜合收益表確認。於購股權獲行使後，就此發行之股份乃按股份之面值列為額外股本，而每股行使價超出股份面值之差額列為股份溢價。於行使日期前失效或被註銷之購股權乃自尚未行使購股權之登記冊中剔除。

iii) 終止福利

終止福利僅當本集團明確表示會終止僱用或因自願遣散(透過制訂並無實際可能遭撤銷之正式詳盡計劃)而提供福利時確認。

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) Employee benefits

i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

ii) Share options granted to employee after 7 November 2002 and vested before 1 January 2005

The financial impact of share options granted is not recorded in the consolidated financial statements until such time as the options are exercised, and no charge is recognised in the consolidated income statement in respect of the value of options granted. Upon the exercise of the share options, the resulting shares issued are recorded as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

2. 主要會計政策(續)

o) 所得稅

本年度所得稅包括本期稅項及遞延稅項資產和負債之變動。本期稅項及遞延稅項資產和負債之變動均於收益表確認，惟與於其他全面收益或直接於權益確認之項目有關者，則有關稅項分別於其他全面收益或直接於權益內確認。

本期稅項是按本年度應課稅收入採用於申報期間結算日已執行或實質上已執行之稅率計算之預期應付稅項，以及就過往年度應付稅項之任何調整。

遞延稅項資產和負債分別由可抵扣和應課稅暫時差異，即作財務報告用途之資產和負債之賬面值與彼等稅基之間之差異而產生。

遞延稅項資產亦可因未運用稅務虧損及未運用稅務抵免而產生。除了若干有限之例外情況外，所有遞延稅項負債，以及所有遞延稅項資產(僅限於未來很可能取得應課稅溢利而令該項資產得以運用之部份)均予以確認。容許確認由可予扣減暫時差異所產生之遞延稅項資產之未來應課稅溢利包括其將由目前之應課稅暫時性差異撥回之部份，而此等應課稅暫時差異應由同一稅務當局向同一應課稅單位徵收，並預期在可予扣減暫時差異預期撥回之同一期間內撥回或在由遞延稅項資產產生之稅務虧損能轉回或轉入之期間內撥回。在評定目前之應課稅暫時差異是否容許確認由未運用之稅務虧損及優惠所產生之遞延稅項資產時採用上述相同之標準，即該等暫時差異由同一稅務當局向同一應課稅單位徵收，並預期在稅務虧損或抵免能動用之期間內撥回方計算在內。

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case in relevant amounts of tax are recognised in other comprehensive income or directly in equity respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary differences or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

2. 主要會計政策 (續)

o) 所得稅 (續)

確認遞延稅項資產及負債之有限例外情況：包括不可在稅務方面獲得扣減之商譽所引致之暫時差異、首次確認但並不影響會計溢利及應課稅溢利之資產或負債（惟其不可為企業合併之部份），以及有關於附屬公司投資所引致之暫時差異；如為應課稅差異，只限於本集團可以控制撥回時間，且在可預見將來不大可能撥回之暫時差異或如為可予扣減差異，則只限於可能在未來撥回之差異。

應確認之遞延稅項數額是按照資產及負債賬面值之預期變現或清償方式，以申報期間結算日採用或主要採用之稅率計算。遞延稅項資產及負債均不作折現計算。

本集團會在每個申報期間結算日評估遞延稅項資產之賬面值。如果不再可能取得足夠之應課稅溢利以運用有關之稅務利益，賬面金額則予以調低。如日後可能取得足夠之應課稅溢利時，已扣減金額則予以撥回。

分派股息所產生之額外所得稅在支付有關股息之責任確認時予以確認。

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) Income tax (Continued)

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

2. 主要會計政策 (續)

o) 所得稅 (續)

本期稅項結餘及遞延稅項結餘及其變動，乃各自分開列示及並無相互抵銷。僅當本公司或本集團在法律上擁有抵銷本期稅項資產及本期稅項負債之行使權利及能符合下列額外條件時，本期稅項資產可抵銷本期稅項負債，及遞延稅項資產可抵銷遞延稅項負債：

- 若為本期稅項資產及負債：本公司或本集團計劃以淨額清償，或計劃同時變現資產和清償負債；或
- 若為遞延稅項資產及負債：如其與同一稅務當局向下述者徵收之所得稅有關：
 - 同一應課稅單位；或
 - 如為不同之應課稅單位，預期在未來每一個週期將清償或收回顯著數目之遞延稅項負債，或資產及計劃以淨額基準變現本期稅項資產及清償本期稅項負債，或計劃同時變現本期稅項資產及清償本期稅項負債。

p) 撥備及或然負債

倘若本公司或本集團須就已發生之事件承擔法律或推定責任，而履行該責任預期會導致含有經濟效益之資源外流，並可作出可靠之估計，便會就不確定之時間或數額之負債計提準備。如金錢的時間價值重大，則按預計履行責任所需開支之現值計提撥備。

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) Income tax (Continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

p) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company or the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

2. 主要會計政策 (續)

p) 撥備及或然負債 (續)

倘若含有經濟效益之資源外流之可能性很低，或是無法對有關款額作出可靠之估計，便會將該責任披露為或有負債；但假如這類資源外流之可能性極低則除外。須視乎某宗或多宗未來事件是否發生才能確定存在與否之潛在責任，亦會披露為或有負債；但假如這類資源外流之可能性極低則除外。

q) 收入確認

收入按已收或應收代價之公平值計量。收入乃於經濟效益可能會流入本集團，以及能夠可靠地計算收入及成本(如適用)時，根據下列方法於收益表內確認：

i) 銷售貨品

收入乃當本集團已向客戶轉讓貨品之重大風險及所有權回報時確認。收入不包括增值及營業稅，並經扣減任何貨品退貨及貿易折扣。

ii) 利息收入

利息收入乃採用實際利率法於應計時確認。

r) 外幣換算

年內外幣換算乃按於交易日期通行之匯率換算為港元。以外幣計值之貨幣性資產及負債均按於申報期間結算日通行之匯率換算為港元。匯兌盈虧乃於全面收益表確認。

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

p) Provisions and contingent liabilities (Continued)

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

q) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in income statement as follows:

i) Sale of goods

Revenue is recognised when the Group has transferred to the customer the significant risks and rewards of ownership of the goods. Revenue excludes value added and business taxes, and is after deduction of any goods returns and trade discounts.

ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

r) Translation of foreign currencies

Foreign currency transaction during the year are translated into HK\$ at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into HK\$ at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in the statement of comprehensive income.

2. 主要會計政策(續)

r) 外幣換算(續)

以歷史成本計量之外幣非貨幣性資產及負債乃按交易日通行之匯率換算。以公平值列賬之外幣非貨幣性資產及負債乃以釐定公平值日期之匯率換算。

境外業務之業績乃按交易日通行之概約匯率換算為港元。財務狀況表項目(包括因合併二零零五年一月一日或之後購入之境外業務之賬目所產生之商譽)則按申報期間結算日通行之匯率換算為港元。匯兌差額直接於其他全面收益確認，並於匯兌儲備之權益中獨立累計。因合併二零零五年一月一日之前購入之境外業務之賬目所產生之商譽則按收購境外業務當日之適用匯率換算。

於出售境外業務時，與該境外業務有關並於權益中確認之累計匯兌差額會於計算出售盈虧時包括在內。

s) 貸款成本

與購入、建造或生產需經一段長時期準備方可作預期運用或出售之資產直接有關之貸款成本，乃作為該項資產之部份成本撥充資本。其他貸款成本於產生期間內支銷。

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

r) Translation of foreign currencies (Continued)

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into HK\$ at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into HK\$ at the foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised directly in other comprehensive income and accumulated separately in equity in the translation reserve. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

s) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period which they are incurred.

2. 主要會計政策 (續)

s) 貸款成本 (續)

貸款成本乃於資產之開支產生、貸款成本產生及有關籌備資產作其擬定用途或出售所需之活動進行時，即資本化作為合格資產之部份成本。當所有有關籌備合格資產作其擬定用途或出售所需之活動大致上中斷或完成時，即暫時暫停或停止資本化貸款成本。

t) 關連人士

就此等財務報表而言，某人士於下列情況下將被視為與本集團有關連：

- i) 該人士有能力直接或間接透過一個或多個中介人控制本集團，或可於作出財務及經營決策時對本集團行使重大影響力，或擁有本集團之共同控制權；
- ii) 本集團及該人士均受共同控制；
- iii) 該人士為本集團之聯繫人士或本集團為合營方之合營企業；
- iv) 該人士為本集團或本集團母公司之主要管理人員、或為有關人士之近親家庭成員、或受該等個別人士控制、或共同控制或重大影響之實體；
- v) 該人士為2(t)(i)所指之人士之近親家庭成員或受該等個人控制、共同控制或重大影響之實體；或

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

s) Borrowing costs (Continued)

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

t) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

- i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;
- ii) the Group and the party are subject to common control;
- iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;
- iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
- v) the party is a close family member of a party referred to in note 2(t)(i) or is an entity under the control, joint control or significant influence of such individuals; or

2. 主要會計政策(續)

t) 關連人士(續)

- vi) 屬提供福利予本集團僱員或與集團關聯之實體之僱員之離職後福利計劃。

個人之近親家庭成員指可影響該個人與該實體交易之家庭成員，或受該個人與該實體交易影響之家庭成員。

u) 分部報告

財務報表所呈報之經營分部及各分部項目之款項乃於為分配資源予本集團不同業務及地區以及評估該等業務及地區之表現而定期向本集團首席營運決策人提供之財務資料中確認。

就財務報告而言，個別重大經營分部不會合併，惟分部間有類似經濟特點及在產品及服務性質、生產過程性質、客戶種類或類別、用作分銷產品或提供服務之方法以及監管環境性質方面相類似則除外。倘並非個別重大之經營分部符合大部份此等準則，則該等經營分部可能合併處理。

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

t) Related parties (Continued)

- vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

u) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's chief operating decision maker for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregate for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

財務報表附註

NOTES TO THE FINANCIAL STATEMENTS

截至二零零九年十二月三十一日止年度 For the year ended 31 December 2009

3. 採納新訂及經修訂香港財務報告準則 (「香港財務報告準則」)

於本年度，本集團已於適用情況下應用下列由香港會計師公會所頒佈之現時或已經生效之修訂及詮釋（「新香港財務報告準則」）。

香港財務報告準則(修訂)	對香港財務報告準則2008之改善，惟香港財務報告準則第5號之修訂於二零零九年七月一日或之後開始之年度期間生效
香港財務報告準則(修訂)	對香港財務報告準則2009之改善，內容有關香港會計準則第39號第80段之修訂
香港會計準則第1號 (二零零七年經修訂)	財務報表之呈報
香港會計準則第23號 (二零零七年經修訂)	借貸成本
香港會計準則第32號及 第1號(修訂)	可沽售金融工具及清盤產生之責任
香港財務報告準則第1號 及香港會計準則第27號 (修訂)	投資於附屬公司、共同控制實體或聯營公司之成本
香港財務報告準則第2號(修訂)	歸屬條件及註銷
香港財務報告準則第7號(修訂)	改進有關金融工具之披露
香港財務報告準則第8號	經營分部
香港(國際財務報告詮釋委員會) — 詮釋第9號及香港會計準則 第39號(修訂)	嵌入式衍生工具
香港(國際財務報告詮釋委員會) — 詮釋第13號	客戶忠誠計劃
香港(國際財務報告詮釋委員會) — 詮釋第15號	房地產建造協議
香港(國際財務報告詮釋委員會) — 詮釋第16號	對沖海外業務淨投資
香港(國際財務報告詮釋委員會) — 詮釋第18號	客戶轉讓資產

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has where applicable applied the following amendments and interpretations (“new HKFRSs”) issued by the HKICPA which are or have become effective.

HKFRSs (Amendments)	Improvements to HKFRSs 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs 2009, in relation to the amendment to paragraph 80 of HKAS 39
HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfers of Assets from Customers

3. 採納新訂及經修訂香港財務報告準則 （「香港財務報告準則」）（續）

該等發展對財務報表之主要影響如下：

- 由於採納香港會計準則第1號（經修訂），本期間因擁有人以其擁有人身份進行交易而產生權益變動之詳情，已與所有其他收入和支出分開呈列於經修訂的綜合權益變動表內。所有其他收入和支出項目如被確認為本期間損益的部份，會呈列在綜合收益表內，或呈列在一個新的主要報表—綜合全面收益表內。相應金額已予重列，以符合新的呈報方式。這項呈報方式之變動對任何呈列期間之所呈報損益、收支總額或資產淨值均沒有影響。
- 香港會計準則第23號（二零零七年經修訂）將所有借貸成本於產生時支銷之可採用選擇刪除。採納香港會計準則第23號（二零零七年經修訂）已導致本集團改變其會計政策，以將所有該等借貸成本，作為合資格資產成本的一部份撥充資本。本集團根據香港會計準則第23號（二零零七年經修訂）之過渡條文，對關於合資格資產並且開始資本化之日期為二零零九年一月一日或之後的借貸成本應用經修訂之會計政策。由於經修訂之會計政策自二零零九年一月一日起採用，改變該項會計政策並無引致重列過往會計期間之已呈報金額。

截至二零零九年及二零零八年十二月三十一日止兩個年度，並無任何借貸成本已撥充資本。

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(Continued)

The key impact of these developments on the financial statements is as follows:

- As a result of the adoption of HKAS 1 (Revised), details of changes in equity during the period arising from transactions with owners in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.
- HKAS 23 (Revised 2007) removes the option previously available to expense all borrowing costs when incurred. The adoption of HKAS 23 (Revised 2007) has resulted in the Group changing its accounting policy to capitalise all such borrowing costs as part of the cost of the qualifying asset. The Group has applied the revised accounting policy to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009 in accordance with the transitional provisions in HKAS 23 (Revised 2007). As the revised accounting policy has been applied prospectively from 1 January 2009, this change in accounting policy has not resulted in restatement of amounts reported in respect of prior accounting periods.

No borrowing costs were capitalised for the two years ended 31 December 2009 and 2008.

3. 採納新訂及經修訂香港財務報告準則 ([香港財務報告準則]) (續)

- 香港會計準則第27號之修訂刪除了來自收購前溢利之股息應確認為投資對象之投資賬面值減少而非確認為收入之規定。因此，自二零零九年一月一日起，全部應收附屬公司、聯營公司及共同控制實體之股息(不論來自收購前或收購後溢利)將於本公司之全面收表中確認，而於投資對象之投資賬面值則不會減少，除非於投資對象所作投資之賬面值因投資對象宣派股息而被評估為減值則作別論。在此情況下，本公司除了在全面收益中確認股息收入外，亦會確認減值虧損。根據該項修訂之過渡條文，這項新政策將只適用於當前或未來期間之任何應收股息，而以往期間之股息則不予重列。
- 香港財務報告準則第8號要求分部的披露應以本集團的首席營運決策人在考慮及管理本集團時所用之方式為基礎，各個須報告分部所呈報之數額應與向本集團首席營運決策人所呈報以供其評估分部表現和就營運事宜作出決策之基準一致。這個方法有別於以往年度分部資料之呈列方式，以往呈列方式是按照相關產品和服務及地區來劃分本集團財務報表之分部。採納香港財務報告準則第8號使分部資料之呈列方式與提供予本集團行政總裁之內部報告更為一致，但對本集團於本年度之財務報表或比較數字並無重大影響。

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(Continued)

- The amendments to HKAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 January 2009, all dividends receivable from subsidiaries, associates and jointly controlled entities, whether out of pre- or post-acquisition profits, will be recognised in the Company's statement of comprehensive income and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in statement of comprehensive income, the Company would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current of future periods and previous periods have not been restated.
- HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on related products and services and on geographical areas. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's Chief Executive Officer, and has no material effect on the financial statements of the Group for the current or comparative figures.

財務報表附註

NOTES TO THE FINANCIAL STATEMENTS

截至二零零九年十二月三十一日止年度 For the year ended 31 December 2009

3. 採納新訂及經修訂香港財務報告準則 (「香港財務報告準則」)(續)

應用新香港財務報告準則對本會計期間或過往會計期間之業績及財務狀況之編製及呈列方式並無造成重大影響，因此毋須作出往年調整。

本集團並無提早應用下列於自二零零九年一月一日開始之年度期間已頒佈但尚未生效之任何新訂及經修訂準則、修訂或詮釋。

香港財務報告準則(修訂)	香港財務報告準則 第5號之修訂作為 二零零八年頒佈之 香港財務報告準則 之一部份 ¹
香港財務報告準則(修訂)	香港財務報告準則 2009之改進 ²
香港會計準則第24號(經修訂)	關聯人士披露 ³
香港會計準則第27號(經修訂)	綜合及獨立財務報表 ¹
香港會計準則第32號(修訂)	供股之分類 ⁴
香港會計準則第39號(修訂)	合資格對沖項目 ¹
香港財務報告準則第1號(修訂)	首次採納香港財務報 告準則 ¹
香港財務報告準則第1號(修訂)	首次採納者之額外 豁免 ⁵
香港財務報告準則第2號(修訂)	集團現金結算股份 形式付款交易 ⁵
香港財務報告準則第3號(經修訂)	業務合併 ¹
香港財務報告準則第9號	金融工具 ⁶
香港(國際財務報告詮釋委員會) — 詮釋第14號(修訂)	最低資金要求之 預付款項 ³
香港(國際財務報告詮釋委員會) — 詮釋第17號	向擁有人分派 非現金資產 ¹
香港(國際財務報告詮釋委員會) — 詮釋第19號	以權益工具抵銷 金融負債 ⁷

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

The application of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior year adjustment is required.

The Group has not early applied any of the following new and revised standards, amendments or interpretations which have been issued but are not yet effect for annual periods beginning on 1 January 2009.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of HKFRSs 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs 2009 ²
HKAS 24 (Revised)	Related Party Disclosures ³
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ¹
HKAS 32 (Amendment)	Classification of Rights Issues ⁴
HKAS 39 (Amendment)	Eligible Hedged Items ¹
HKFRS 1 (Amendment)	First-time adoption of Hong Kong Financial Reporting Standards ¹
HKFRS 1 (Amendment)	Additional Exemption for First-time adoption ⁵
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions ⁵
HKFRS 3 (Revised)	Business Combinations ¹
HKFRS 9	Financial Instruments ⁶
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement ³
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners ¹
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments ⁷

3. 採納新訂及經修訂香港財務報告準則 （「香港財務報告準則」）（續）

- 1 於二零零九年七月一日或其後開始之年度期間生效
- 2 於二零零九年七月一日及二零一零年一月一日（按合適者而定）或其後開始之年度期間生效
- 3 於二零一一年一月一日或其後開始之年度期間生效
- 4 於二零一零年二月一日或其後開始之年度期間生效
- 5 於二零一零年一月一日或其後開始之年度期間生效
- 6 於二零一三年一月一日或其後開始之年度期間生效
- 7 於二零一零年七月一日或其後開始之年度期間生效

本集團正評估該等新訂及經修訂準則、修訂或詮釋預期於首次應用期間之影響。應用香港財務報告準則第3號（經修訂）可能影響收購日期為二零零九年七月一日或之後起首個全年報告期間開始或之後的業務合併之會計方準。香港會計準則第27號（經修訂）將影響母公司於附屬公司所有權變動之會計處理。

4. 關鍵會計判斷及估計不確定之主要來源

估計及判斷會根據過往經驗及其他因素持續作出評估，包括預期日後出現在有關情況下相信屬合理之事件。

本集團會對未來作出估計及假設。顧名思義，所產生之會計估計甚少與有關之實際結果相同。

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(Continued)

- 1 Effective for annual periods beginning on or after 1 July 2009
- 2 Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.
- 3 Effective for annual periods beginning on or after 1 January 2011
- 4 Effective for annual periods beginning on or after 1 February 2010
- 5 Effective for annual periods beginning on or after 1 January 2010
- 6 Effective for annual periods beginning on or after 1 January 2013
- 7 Effective for annual periods beginning on or after 1 July 2010

The Group is in the process of making an assessment of what the impact of these new and revised standards, amendments or interpretation is expected to be in the period of initial application. The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership in a subsidiary.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results.

4. 關鍵會計判斷及估計不確定之主要來源 (續)

有重大風險會對下個財政年度之資產與負債之賬面值造成大幅調整之估計及假設討論如下：

a) 商譽減值之估算

於釐定商譽是否減值時，需要對已獲分配商譽之賺取現金單位之使用價值作出估計。使用價值計算需要本集團估計預期賺取現金單位產生之未來現金流量及合適折現率以計算現值。倘未來實際現金流量少於預期，則可能會產生重大減值虧損。於二零零九年十二月三十一日，商譽之賬面值約為85,980,000港元（二零零八年：85,843,000港元）。有關可收回金額計算之詳情於附註16披露。

b) 物業、廠房及設備之可使用年期及剩餘價值

管理層根據附註2(e)所載之會計政策釐定本集團物業、廠房及設備之估計可使用年期及剩餘價值。本集團將修訂折舊支出（如可使用年期及剩餘價值與先前估計不同），或撇銷或撇減已被棄用或出售之在技術上過時或屬非策略性之資產。

c) 物業、廠房及設備減值之估算

於釐定資產是否減值或以往導致減值之事件是否不再存在時，本集團須在評估是否曾發生可能影響資產價值之事件或有關影響資產價值之事件是否不曾存在作出判斷。

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

(Continued)

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

a) Estimation of 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. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2009, the carrying amount of goodwill is approximately HK\$85,980,000 (2008: HK\$85,843,000). Details of the recoverable amount calculation are disclosed in note 16.

b) Useful lives and residual values of property, plant and equipment

Management determines the estimated useful lives and residual values for the Group's property, plant and equipment in accordance with the accounting policy stated in note 2(e). The Group will revise the depreciation charge where useful lives and residual values are different from previous estimates, or will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

c) Estimation of impairment of property, plant and equipment

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgement in assessing whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence.

4. 關鍵會計判斷及估計不確定之主要來源 (續)

c) 物業、廠房及設備減值之估算 (續)

該估值乃基於若干涉及不確定因素之假設，並可能與實際結果有重大差異。於行使判斷時，本集團會考慮有關機器及設備的重置費之款額等信息，並會對於各申報期間結算日存在之樓齡、狀況、經濟或設施陳舊及環境因素而作出扣減。於二零零九年十二月三十一日，機器及設備之賬面值約317,687,000港元 (二零零八年：385,906,000港元)。

d) 持作自用樓宇公平值之估算

如附註17(a)(ii)所述，持作自用樓宇乃於二零零八年十二月三十一日由獨立專業合資格估值師採用成本重置法予以重估。重估盈餘約40,587,000港元及重估虧絀約29,646,000港元已分別於其他全面收益及綜合收益表確認。該估值乃基於若干涉及不確定因素之假設，並可能與實際結果有重大差異。於作出判斷時，本集團會考慮有關樓宇的重置費之款額等信息，並會對於各申報期間結算日存在之樓齡、狀況、經濟或設施陳舊及環境因素而作出扣減。於二零零九年十二月三十一日，持作自用之樓宇之賬面值約237,866,000港元 (二零零八年：255,596,000港元)。

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

(Continued)

c) Estimation of impairment of property, plant and equipment (Continued)

Such assessment was based on certain assumptions, which are subject to uncertainty and might differ materially from the actual results. In exercising judgement, the Group considers information such as the amounts of the replacement cost of the machinery and equipment and deductions to account for the age, condition, economic or functional obsolescence and environmental factors existing at the end of each reporting period. As at 31 December 2009, the carrying amount of machinery and equipment is approximately HK\$317,687,000 (2008: HK\$385,906,000).

d) Estimation of fair value of buildings held for own use

As described in note 17(a)(ii), the buildings held for own use were revalued at 31 December 2008 using the cost replacement approach by independent professional qualified valuers. A revaluation surplus of approximately HK\$40,587,000 and a revaluation deficit of approximately HK\$29,646,000 have been recognised in other comprehensive income and consolidated income statement respectively. Such valuations were based on certain assumptions, which are subject to uncertainties and might materially differ from the actual results. In making the judgement, the Group considers information such as the amounts of the replacement cost of the buildings and deductions to account for the age, condition, economic or functional obsolescence and environmental factors existing at the end of each reporting period. As at 31 December 2009, the carrying amount of buildings held for own use is approximately HK\$237,866,000 (2008: HK\$255,596,000).

4. 關鍵會計判斷及估計不確定之主要來源 (續)

e) 無形資產減值之估算

本集團根據附註2(h)(ii)所載之會計政策，每年對無形資產是否出現減值進行評估。賺取現金單位之可收回金額乃根據使用價值計算而釐定。該等計算需要使用管理層對業務之未來營運作出之估計及假設、稅前折現率以及其他有關使用價值計算之假設。董事認為，於二零零九年及二零零八年十二月三十一日，無形資產並無減值。於二零零九年十二月三十一日，無形資產之賬面值約349,223,000港元(二零零八年：379,014,000港元)。

f) 無形資產之攤銷

無形資產乃根據附註2(f)所載會計政策按其估計可使用年期以直線基準予以攤銷。可使用年期之釐定涉及管理層作出之估計。本集團重估無形資產之可使用年期，而如預期與原有估計不同，則有關差異可能影響本年度之攤銷，而估計將於未來期間作出調整。

g) 應收款項減值之估算

本集團之應收款項減值確認政策乃根據對應收賬款收回可能性之評估、賬齡分析及管理層判斷制定實行。在評估該等應收款項最終能否變現時，需要作出大量判斷，包括每名客戶之現時信譽及過往收款紀錄。倘本集團客戶之財務狀況轉差，將會影響其還款能力，因而可能需要作出額外減值。於二零零九年十二月三十一日，應收賬款及其他應收款之賬面值約為467,395,000港元(二零零八年：412,019,000港元)。應收款項減值之詳情已於附註22(c)作出披露。

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

(Continued)

e) Estimation of impairment of intangible assets

The Group performs annual assessments on whether there has been impairment of intangible assets in accordance with the accounting policy stated in note 2(h) (ii). The recoverable amounts of cash-generating units are determined based on value in use calculations. These calculations require the use of estimates and assumptions made by management on the future operation of the business, pre-tax discount rates, and other assumptions underlying the value in use calculations. The directors are of opinion that intangible assets are not impaired as at 31 December 2009 and 2008. As at 31 December 2009, the carrying amount of intangible assets is approximately HK\$349,223,000 (2008: HK\$379,014,000).

f) Amortisation of intangible assets

Intangible assets are amortised on a straight-line basis over their estimated useful lives in accordance with the accounting policy stated in note 2(f). The determination of the useful lives involves management's estimation. The Group re-assesses the useful life of the intangible assets and, if the expectation differs from the original estimate, such a difference may impact the amortisation in the year and the estimate will be changed in the future period.

g) Estimation of impairment of receivables

The policy for recognising impairment on receivables of the Group is based on the evaluation of collectibility, ageing analysis of accounts and on management's judgement. A considerable amount of judgement 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 impairment may be required. As at 31 December 2009, the carrying amount of trade and other receivables is approximately HK\$467,395,000 (2008: HK\$412,019,000). Details of the impairment of receivables are disclosed in note 22(c).

4. 關鍵會計判斷及估計不確定之主要來源 (續)

h) 存貨之可變現淨值

存貨乃按成本與可變現淨值之較低者列賬。可變現淨值根據估計售價減作出銷售所必要之估計成本釐定。董事主要根據最近期之發票價格及現時市況估計存貨之可變現淨值。於二零零九年十二月三十一日，董事按逐項產品基準對存貨進行檢討，並撇減為數約22,691,000港元（二零零八年：37,551,000港元）之存貨。

i) 所得稅及遞延稅項

本集團在香港須繳付所得稅，而在中國須繳付不同稅項。於釐定稅項撥備時須作出重大判斷。於一般業務過程中存有頗多交易及計算，使得最終稅務釐定存在不確定性。本集團根據對是否須繳納額外稅項之估計就預期稅務事宜確認負債。倘上述事宜之最終稅務結果與最初記錄之金額有所不同，有關差額將影響作出有關釐定期間之所得稅及遞延稅項撥備。

有關若干暫時差異及若干稅項虧損之遞延稅項資產，乃於管理層認為日後可能有可動用應課稅溢利抵銷暫時差異或稅項虧損之情況下予以確認。倘該項預期有別於原來估計，該等差額將影響更改有關改變估計期間所確認之遞延稅項資產及稅項。就此而言，本集團已於二零零九年十二月三十一日確認遞延稅項資產及負債分別約21,639,000港元（二零零八年：20,432,000港元）及97,878,000港元（二零零八年：106,337,000港元）。

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

(Continued)

h) Net realisable value of inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is determined on the basis of the estimated selling price less the estimated costs necessary to make the sale. The directors estimate the net realisable value for inventories based primarily on the latest invoice prices and current market conditions. As at 31 December 2009, the directors performed a review on a product-by-product basis and made a write down of its inventories of approximately HK\$22,691,000 (2008: HK\$37,551,000).

i) Income taxes and deferred taxation

The Group is subject to income tax in Hong Kong and various taxes in PRC. Significant judgement is required in determining the provision for taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and certain tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and tax in the periods in which such estimate is changed. In this regard, the Group has recognised deferred tax assets and liabilities in the amount of approximately HK\$21,639,000 (2008: HK\$20,432,000) and HK\$97,878,000 (2008: HK\$106,337,000) as at 31 December 2009 respectively.

4. 關鍵會計判斷及估計不確定之主要來源 (續)

j) 分派股息所產生之預扣稅

本集團乃根據派付股息的時間判斷釐定是否應計若干附屬公司分派的股息產生的預扣稅(根據相關稅務司法權區徵收)。本集團認為,倘於可預見未來將不會分派溢利,則毋須就有關預扣稅提供撥備。

5. 營業額

營業額指供應予客戶之貨品銷售價值(不包括增值稅及營業稅),並扣除任何退貨及貿易折扣。本年度於營業額中確認之收益之各主要類別金額如下:

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

(Continued)

j) Withholding taxes arising from the distributions of dividends

The Group's determination as to whether to accrue for withholding taxes arising from the distributions of dividends from certain subsidiaries according to the relevant tax jurisdictions is subject to judgement on the timing of the payment of the dividend. The Group considered that if the profits will not be distributed in the foreseeable future, then no withholding taxes should be provided.

5. TURNOVER

Turnover represents the sales value of goods supplied to customers which excludes value-added and business taxes, and is after deduction of any goods returns and trade discounts. The amount of each significant category of revenue recognised in turnover during the year is as follows:

		二零零九年 2009 千港元 HK\$'000	二零零八年 2008 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)	637,725	618,637
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)	573,958	746,253
		1,211,683	1,364,890

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6. 其他收益

6. OTHER REVENUE

		二零零九年 2009 千港元 HK\$' 000	二零零八年 2008 千港元 HK\$' 000
銀行存款利息收入(附註)	Interest income from bank deposits (note)	10,043	9,330
應收賬款及其他應收款 減值虧損撥回	Write back of impairment loss on trade and other receivables	9,267	4,224
		19,310	13,554

附註：

銀行存款利息收入指並非按公平值列入損益之金融資產利息收入總額。

Note:

Interest income from bank deposits represents the total interest income on financial assets not at fair value through profit or loss.

7. 除稅前溢利／(虧損)

除稅前溢利／(虧損)已扣除／(計入)下列各項：

7. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging/(crediting):

		二零零九年 2009 千港元 HK\$' 000	二零零八年 2008 千港元 HK\$' 000
a) 財務成本	a) Finance costs		
須於五年內悉數償還 之銀行貸款利息支出 其他貸款成本	Interest expenses on bank borrowings wholly repayable within five years Other borrowing costs	17,968 -	10,288 -
並非按公平值列入損益之 金融負債利息支出總額	Total interest expense on financial liabilities not at fair value through profit or loss	17,968	10,288
b) 員工成本(包括附註9 所載之董事酬金)	b) Staff costs (including directors' emoluments in note 9)		
薪金及工資	Salaries and wages	36,020	37,746
退休福利計劃供款 (附註11)	Retirement benefits scheme contribution (note 11)	2,426	2,148
		38,446	39,894
c) 其他項目	c) Other items		
核數師酬金	Auditor's remuneration	3,360	3,200
存貨成本(附註21(b))	Cost of inventories (note 21(b))	980,246	1,015,603
物業、廠房及設備之折舊	Depreciation of property, plant and equipment	94,798	91,956
經營租約下預付 土地租金攤銷	Amortisation of prepaid lease payments on land under operating leases	5,750	4,515
無形資產攤銷	Amortisation of intangible assets	30,369	-
壞賬撇銷	Bad debt written off	53	-
應收賬款及其他應收款 之減值虧損	Impairment loss on trade and other receivables	3,996	22,089
出售物業、廠房及設備 之(收益)／虧損淨額	Net (gains)/losses on disposal of property, plant and equipment	(309)	9,494
物業、廠房及設備 之重估虧絀	Revaluation deficit on property, plant and equipment	-	29,646
匯兌虧損／(收益)淨額	Net exchange loss/(gain)	206	(1,707)
租賃物業經營租賃支出 研發支出	Operating lease charges on rented premises Research and development expenditure	1,451 399	1,400 440

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8. 綜合收益表內之所得稅

a) 綜合收益表內之所得稅指：

8. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

a) Income tax in the consolidated income statement represents:

		二零零九年 2009 千港元 HK\$'000	二零零八年 2008 千港元 HK\$'000
本期稅項- 中國企業 所得稅(「企業所得稅」)	Current tax – PRC Enterprise Income Tax (“EIT”)		
年度撥備(附註28(a))	Provision for the year (note 28(a))	69,454	55,758
遞延稅項	Deferred taxation		
暫時性差異之產生 及撥回(附註28(b))	Origination and reversal of temporary differences (note 28(b))	(9,795)	(1,902)
所得稅支出	Income tax charge	59,659	53,856

附註：

本公司根據開曼群島法律在開曼群島註冊成立為獲豁免有限責任公司，因此，獲豁免支付開曼群島所得稅。

於二零零八年六月二十六日，香港立法會通過二零零八年收入條例草案，將企業利得稅由17.5%削減至16.5%，自二零零八年／二零零九年課稅年度起生效。截至二零零九年及二零零八年十二月三十一日止兩年度內，由於本集團並無應課稅溢利，並無就香港利得稅計提撥備。

根據中國企業所得稅法例(「企業所得稅法」)及實施條例，自二零零八年一月一日起，本集團中國附屬公司之稅率為25%。

本集團中國附屬公司宜興威爾發非金屬材料有限公司及海城新威利成鎂資源有限公司有權自二零零八年起計兩年獲豁免中國企業所得稅，隨後三年獲50%稅項減免。

Note:

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Company Law of the Cayman Islands and, accordingly, is exempted from payment of the Cayman Islands income tax.

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 and reduced corporate profits tax rate from 17.5% to 16.5%, which was effective from the year of assessment 2008/09. No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits for the two years ended 31 December 2009 and 2008.

Under the Law of the PRC on EIT (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the Group’s PRC subsidiaries is 25% from 1 January 2008 onwards.

The PRC subsidiaries of the Group, Yixing Wellfire Nonmetal Materials Co., Ltd. and Hai Cheng Xinwei Leeshing Magnesium Resources Co., Ltd. are entitled to the exemptions from PRC EIT for two years starting from 2008, followed by a 50% tax relief for the next three years.

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8. 綜合收益表內之所得稅(續)

- b) 所得稅支出與會計溢利／(虧損)之間按適用稅率計算之對賬如下：

8. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (Continued)

- b) Reconciliation between income tax charge and accounting profit/(loss) at applicable tax rates is as follows:

		二零零九年 2009 千港元 HK\$' 000	二零零八年 2008 千港元 HK\$' 000
除稅前溢利／(虧損)	Profit/(loss) before taxation	144,342	(118,551)
除稅前溢利／(虧損) 按有關司法權區適用稅率 計算之名義稅項	Notional tax on profit/(loss) before taxation, calculated at the rates applicable to the jurisdictions concerned	40,929	(16,069)
不可抵扣支出之稅務影響	Tax effect of non-deductible expenses	676	68,043
毋須課稅收入之稅務影響	Tax effect of non-taxable income	(380)	(653)
未確認之未動用稅項 虧損之稅務影響	Tax effect of unused tax losses not recognised losses tax effect	10,643	1,724
過往年度遞延稅項資產 撥備不足	Underprovision of deferred tax assets in prior years	–	(1,693)
不可用於稅項扣減之 稅務虧損之稅務影響	Tax effect of tax loss not allowed for tax deduction	9,106	2,504
中國附屬公司獲授稅務豁免 之稅務影響	Tax effect of tax exemption granted to a PRC subsidiary	(1,315)	–
所得稅支出	Income tax charge	59,659	53,856

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9. 董事酬金

- a) 根據香港公司條例第161條披露的董事酬金如下：

9. DIRECTORS' EMOLUMENTS

- a) Directors' emoluments disclosed pursuant to section 161 of the Hong Kong Companies Ordinance are as follows:

		二零零九年 2009 千港元 HK\$'000	二零零八年 2008 千港元 HK\$'000
執行董事	Executive directors		
– 薪金及津貼	– salaries and allowance	2,606	2,598
獨立非執行董事	Independent non-executive directors		
– 袍金	– fees	162	159
		2,768	2,757

- b) 截至二零零九年及二零零八年十二月三十一日止年度，個別董事之董事酬金詳情如下：

- b) Details of directors' emoluments by individual director for the years ended 31 December 2009 and 2008 are as follows:

截至二零零九年十二月三十一日止年度 Year ended 31 December 2009				
		基本薪金、津貼 及實物福利 Basic salaries, allowance and benefits-in-kind 千港元 HK\$'000	董事袍金 Directors' fees 千港元 HK\$'000	酬金總額 Total emoluments 千港元 HK\$'000
執行董事				
執行董事	Executive directors			
蔣泉龍	Jiang Quanlong	–	1,320	1,320
錢元英	Qian Yuanying	–	1,014	1,014
許盤鳳	Xu Panfeng	–	136	136
蔣才南	Jiang Cainan	–	136	136
獨立非執行董事				
獨立非執行董事	Independent non-executive directors			
劉余九	Liu Yujiu	49	–	49
黃春華	Huang Chunhua	72	–	72
金重	Jin Zhong	41	–	41
		162	2,606	2,768

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9. 董事酬金 (續)

b) (續)

9. DIRECTORS' EMOLUMENTS (Continued)

b) (Continued)

		截至二零零八年十二月三十一日止年度 Year ended 31 December 2008		
		基本薪金、津貼 及實物福利 Basic salaries, allowance and benefits-in-kind		酬金總額 Total emoluments
		董事袍金 Directors' fees	千港元 HK\$'000	千港元 HK\$'000
執行董事	Executive directors			
蔣泉龍	Jiang Quanlong	–	1,320	1,320
錢元英	Qian Yuanying	–	1,014	1,014
許盤鳳	Xu Panfeng	–	132	132
蔣才南	Jiang Cainan	–	132	132
獨立非執行董事	Independent non-executive directors			
劉余九	Liu Yujiu	47	–	47
黃春華	Huang Chunhua	72	–	72
金重	Jin Zhong	40	–	40
		159	2,598	2,757

截至二零零九年及二零零八年十二月三十一日止兩年度內，概無董事放棄任何酬金。截至二零零九年及二零零八年十二月三十一日止兩年度內，概無向任何董事支付或應付加入本集團或加入本集團時之獎勵或離職補償。

During the two years ended 31 December 2009 and 2008, no directors waived any emoluments. No inducement payments to join or upon joining the Group or as compensation for loss of office was paid or payable to any director for the two years ended 31 December 2009 and 2008.

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截至二零零九年十二月三十一日止年度 For the year ended 31 December 2009

10. 最高薪人士

截至二零零九年十二月三十一日止年度，本集團五名最高薪人士中，其中三名（二零零八年：三名）為本公司董事，其酬金於附註9披露。其餘兩名（二零零八年：兩名）最高薪人士之酬金總額如下：

		二零零九年 2009 千港元 HK\$'000	二零零八年 2008 千港元 HK\$'000
基本薪金、津貼及實物福利	Basic salaries, allowance and benefits-in-kind	1,079	1,079
退休福利計劃供款	Retirement benefits scheme contribution	54	54
		1,133	1,133

截至二零零九年十二月三十一日止年度，其餘兩名（二零零八年：兩名）最高薪人士之酬金介乎於下列範圍：

		二零零九年 2009	二零零八年 2008
零－1,000,000港元	Nil – HK\$1,000,000	2	2

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。

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%（二零零八年：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。截至二零零九年十二月三十一日止年度，退休計劃供款額約為2,372,000港元（二零零八年：2,094,000港元）。該計劃供款即時歸屬。

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the year ended 31 December 2009, out of the five highest paid individuals in the Group, three (2008: three) are directors of the Company whose emoluments are disclosed in note 9. The aggregate emoluments in respect of the remaining two (2008: two) highest paid individuals are as follows:

		二零零九年 2009 千港元 HK\$'000	二零零八年 2008 千港元 HK\$'000
基本薪金、津貼及實物福利	Basic salaries, allowance and benefits-in-kind	1,079	1,079
退休福利計劃供款	Retirement benefits scheme contribution	54	54
		1,133	1,133

For the year ended 31 December 2009, the emoluments of the remaining two (2008: two) highest paid individuals are within the following band:

		二零零九年 2009	二零零八年 2008
零－1,000,000港元	Nil – HK\$1,000,000	2	2

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. 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% (2008: 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 2009, the retirement plan contributions amounted to approximately HK\$2,372,000 (2008: HK\$2,094,000). Contributions to the plan vest immediately.

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11. 僱員退休福利(續)

本集團旗下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計劃(「強積金計劃」)。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。截至二零零九年十二月三十一日止年度，本集團向強積金計劃供款約54,000港元(二零零八年：54,000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。該計劃供款按時歸屬。

12. 本公司擁有人應佔溢利／(虧損)

本公司擁有人應佔綜合溢利／(虧損)包括虧損約25,920,000港元(二零零八年：12,710,000港元)，該款項已於本公司財務報表內處理。

13. 股息

已宣派並支付的中期股息：
每股普通股零港元
(二零零八年：0.01港元)

截至二零零九年及二零零八年十二月三十一日止兩個年度，董事並不建議或宣派末期股息。

11. EMPLOYMENT RETIREMENT BENEFITS (Continued)

A company in the Group operating in Hong Kong has participated in Mandatory Provident Fund Scheme ("MPF Scheme"), 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 2009, the Group's contributions to the MPF Scheme were approximately HK\$54,000 (2008: HK\$54,000). The assets of the fund are held separately from those of the Group and are managed by independent professional fund managers. Contributions to the plan vest progressively.

12. PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit/(loss) attributable to owners of the Company includes a loss of approximately HK\$25,920,000 (2008: HK\$12,710,000) which has been dealt with in the financial statements of the Company.

13. DIVIDENDS

二零零九年	二零零八年
2009	2008
千港元	千港元
HK\$'000	HK\$'000

Interim dividend declared and paid: HK\$Nil (2008: HK\$0.01) per ordinary share		
	-	14,211

No final dividend has been proposed or declared by the directors for the two years ended 31 December 2009 and 2008.

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14. 每股盈利／(虧損)

a) 每股基本盈利／(虧損)

每股基本盈利／(虧損)乃根據本公司擁有人應佔溢利約84,593,000港元(二零零八年：虧損約170,972,000港元)及本年度已發行普通股加權平均數1,472,075,000股(二零零八年：1,421,143,000股)計算，如下：

		二零零九年 2009 千股 '000	二零零八年 2008 千股 '000
於一月一日發行普通股	Issued ordinary shares at 1 January	1,421,143	1,421,143
透過股份配售發行新股份之影響	Effect of issue of new shares by share placement	50,932	—
於十二月三十一日普通股加權平均數	Weighted average number of ordinary shares at 31 December	1,472,075	1,421,143

b) 每股攤薄盈利／(虧損)

截至二零零九年十二月三十一日止年度之每股攤薄盈利乃根據本公司擁有人應佔溢利約84,593,000港元及普通股加權平均數1,472,345,000股計算，如下：

		二零零九年 2009 千股 '000
於二零零九年十二月三十一日之普通股之加權平均數	Weighted average number of ordinary shares at 31 December 2009	1,472,075
根據本公司購股權計劃視作以零代價發行股份之影響(附註31)	Effect of deemed issue of shares under the Company's share option scheme for nil consideration (note 31)	270
於二零零九年十二月三十一日之普通股之加權平均數(攤薄)	Weighted average number of ordinary shares (diluted) at 31 December 2009	1,472,345

14. EARNINGS/(LOSS) PER SHARE

a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to owners of the Company of approximately HK\$84,593,000 (2008: loss of approximately HK\$170,972,000) and the weighted average number of 1,472,075,000 (2008: 1,421,143,000) ordinary shares in issue during the year, calculated as follows:

b) Diluted earnings/(loss) per share

The calculation of diluted earnings per share for the year ended 31 December 2009 is based on the profit attributable to owners of the Company of approximately HK\$84,593,000 and the weighted average number of 1,472,345,000 ordinary shares, calculated as follows:

14. 每股盈利／（虧損）（續）

b) 每股攤薄盈利／（虧損）（續）

截至二零零八年十二月三十一日止年度之每股攤薄虧損與每股基本虧損相同，因為有關未行使購股權之潛在額外普通股具有反攤薄作用。

15. 分部報告

本集團按業務性質劃分分部及進行管理。於採納香港財務報告準則第8號「經營分部」及與向被確認為本集團首席營運決策人之行政總裁內部呈報用以資源分配及表現評估之資料一致，本集團呈列了兩個呈報分部如下：

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）

a) 分部業績、資產及負債

根據香港財務報告準則第8號，於財務報表披露之分部資料乃按照本集團行政總裁就評估分部表現及分配分部間之資源所採用資料一致之方式編製。就此而言，本集團行政總裁按照下列基準監察各個呈報分部應佔之業績、資產及負債：

14. EARNINGS/(LOSS) PER SHARE (Continued)

b) Diluted earnings/(loss) per share (Continued)

Diluted loss per share for the year ended 31 December 2008 is the same as the basic loss per share as the potential additional ordinary shares in respect of outstanding share options are anti-dilutive.

15. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by business lines. On adoption of HKFRS 8, Operating segments, and in a manner consistent with the way in which information is reported internally to the Chief Executive Officer, who has been identified as the Group's chief operating decision maker, for the purposes of resource allocation and performance assessment, the Group has presented two reportable segments as follows:

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)

a) Segment results, assets and liabilities

In accordance with HKFRS 8, segment information disclosed in the financial statements has been prepared in a manner consistent with the information used by the Group's Chief Executive Officer for the purposes of assessing segment performance and allocating resources between segments. In this regard, the Group's Chief Executive Officer monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

15. 分部報告 (續)

a) 分部業績、資產及負債 (續)

分部資產包括所有有形及無形資產及流動資產，但不包括未分配至個別呈報分部之其他企業資產。分部負債包括個別分部之製造及銷售活動應佔之應付賬款、預提費用及其他應付款，以及由分部直接管理之銀行借款，但不包括未分配至個別呈報分部之其他企業負債。

收益及開支乃經參考呈報分部之銷售額及開支或該等分部應佔資產之折舊或攤銷所引致之開支，分配至該等分部。

呈報分部溢利／(虧損)所使用之計量方法為「經調整扣除利息及稅項前溢利／(虧損)」(「經調整EBIT」)。為計算經調整除利息及稅項前溢利／(虧損)，本集團之溢利／(虧損)會就並非特定個別呈報分部應佔之項目作出進一步調整，如利息收入及其他未分配企業開支。

除獲得有關經調整EBIT之分部資料外，管理層亦獲提供有關收益(包括分部間銷售)、由分部直接管理之現金結餘及借款之利息收入及開支、折舊、攤銷及減值虧損以及分部於營運中所使用之非流動分部資產增置之分部資料。分部間銷售參考就同類訂單收取外部第三方之價格訂價。

15. SEGMENT REPORTING (Continued)

a) Segment results, assets and liabilities (Continued)

Segment assets include all tangible and intangible assets and current assets with the exception of other corporate assets which are unallocated to an individual reportable segment. Segment liabilities include trade payables, accruals and other payables attributable to the manufacturing and sales activities of the individual segments and bank borrowings managed directly by the segments with the exception of other corporate liabilities which are unallocated to an individual reportable segment.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measurement used for reporting segment profit/(loss) is "adjusted profit/(loss) before interest and taxes" ("Adjusted EBIT"). To arrive at adjusted profit/(loss) before interest and taxes, the Group's profits/(losses) are further adjusted for items not specifically attributed to an individual reportable segment, such as interest income and other unallocated corporate expenses.

In addition to the receiving of segment information concerning adjusted EBIT, management is provided with segment information concerning revenue (including inter-segment sales), interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

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15. 分部報告 (續)

a) 分部業績、資產及負債 (續)

年內，就提供予本集團行政總裁用作分配資源及評估分部表現之本集團呈報分部資料載列如下：

15. SEGMENT REPORTING (Continued)

a) Segment results, assets and liabilities (Continued)

Information regarding the Group's reportable segments as provided to the Group's Chief Executive Officer for the purpose of resource allocation and assessment of segment performance for the year is as follows:

		稀土		耐火		總計	
		二零零九年	二零零八年	二零零九年	二零零八年	二零零九年	二零零八年
		2009	2008	2009	2008	2009	2008
		千港元	千港元	千港元	千港元	千港元	千港元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
來自對外客戶之收益	Revenue from external customers	637,725	618,637	573,958	746,253	1,211,683	1,364,890
分部間收益	Inter-segment revenue	25	113	-	-	25	113
呈報分部收益	Reportable segment revenue	637,750	618,750	573,958	746,253	1,211,708	1,365,003
呈報分部溢利/(虧損) (經調整EBIT)	Reportable segment profit/(loss) (adjusted EBIT)	7,258	(14,960)	150,533	(94,771)	157,791	(109,731)
利息收入	Interest income	6,081	2,135	1,843	3,587	7,924	5,722
財務成本	Finance costs	(4,761)	(6,632)	-	-	(4,761)	(6,632)
物業、廠房及設備 之折舊	Depreciation of property, plant and equipment	(45,378)	(44,100)	(49,413)	(47,847)	(94,791)	(91,947)
經營租約下預付土地 租金之攤銷	Amortisation of prepaid lease payments on land under operating leases	(2,757)	(1,985)	(2,993)	(2,530)	(5,750)	(4,515)
無形資產之攤銷	Amortisation of intangible assets	(30,369)	-	-	-	(30,369)	-
商譽之減值虧損	Impairment loss on goodwill	-	-	-	(208,804)	-	(208,804)
物業、廠房及設備 之減值虧損	Impairment loss on property, plant and equipment	-	(46,371)	-	(51,127)	-	(97,498)
出售物業、廠房及設備 之收益/(虧損)淨額	Net gains/(losses) on disposal of property, plant and equipment	139	43	170	(9,537)	309	(9,494)
物業、廠房及設備之 重估虧絀	Revaluation deficit on property, plant and equipment	-	(17,254)	-	(12,392)	-	(29,646)
應收賬款及其他應收款 之減值虧損	Impairment loss on trade and other receivables	(2,395)	(1,069)	(1,601)	(21,020)	(3,996)	(22,089)
應收賬款及其他應收款 之減值虧損撥回	Write back of impairment loss on trade and other receivables	665	906	8,602	3,318	9,267	4,224
所得稅	Income tax	(20,504)	(11,693)	(39,155)	(42,163)	(59,659)	(53,856)
呈報分部資產	Reportable segment assets	1,628,663	1,757,339	1,654,053	1,589,510	3,282,716	3,346,849
呈報分部負債	Reportable segment liabilities	520,023	652,470	175,913	235,825	695,936	888,295
增量非流動分部資產：	Additions to non-current segment assets:						
- 商譽	- Goodwill	-	85,843	-	-	-	85,843
- 物業、廠房及設備	- Property, plant and equipment	13,922	44,310	283	72,432	14,205	116,742
- 經營租約下預付 土地租金	- Prepaid lease payments on land under operating leases	-	34,017	-	63,655	-	97,672
- 無形資產	- Intangible assets	-	379,014	-	-	-	379,014
		13,922	543,184	283	136,087	14,205	679,271

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15. 分部報告 (續)

b) 呈報分部溢利、資產及負債之對賬

15. SEGMENT REPORTING (Continued)

b) Reconciliations of reportable segment profit, assets and liabilities

		二零零九年 2009 千港元 HK\$'000	二零零八年 2008 千港元 HK\$'000
收益	Revenue		
呈報分部收益	Reportable segment revenue	1,211,708	1,365,003
撇銷分部間收益	Elimination of inter-segment revenue	(25)	(113)
		1,211,683	1,364,890
溢利／(虧損)	Profit/(loss)		
呈報分部溢利／(虧損)	Reportable segment profit/(loss)	157,791	(109,731)
撇銷分部間溢利	Elimination of inter-segment profit	–	–
來自本集團對外客戶之呈報 分部溢利／(虧損)	Reportable segment profit/(loss) derived from Group's external customers	157,791	(109,731)
其他收益	Other revenue	19,310	13,554
未分配其他收入淨值	Unallocated other income, net	175	696
財務成本	Finance costs	(17,968)	(10,288)
未分配企業開支	Unallocated corporate expenses	(14,966)	(12,782)
		144,342	(118,551)
資產	Assets		
呈報分部資產	Reportable segment assets	3,282,716	3,346,849
撇銷分部間應收款項	Elimination of inter-segment receivables	(445,146)	(332,379)
		2,837,570	3,014,470
未分配現金及現金等值項目	Unallocated cash and cash equivalents	295,118	153,391
未分配企業資產	Unallocated corporate assets	106,893	46,475
		3,239,581	3,214,336
負債	Liabilities		
呈報分部負債	Reportable segment liabilities	695,936	888,295
撇銷分部間應付款項	Elimination of inter-segment payables	(445,146)	(332,379)
		250,790	555,916
未分配銀行借貸	Unallocated bank borrowings	232,500	177,500
未分配企業負債	Unallocated corporate liabilities	8,172	7,391
		491,462	740,807

15. 分部報告 (續)

c) 地區資料

下表載列有關(i)本集團來自對外客戶之收益及(ii)本集團之物業、廠房及設備、經營租約下預付土地租金、無形資產及商譽(「特定非流動資產」)所在地區的資料。客戶所在地區按提供服務或貨品付運地點劃分。特定非流動資產所在地區，就物業、廠房及設備以及經營租約下預付土地租金而言按資產實際所在地點劃分，就無形資產及商譽而言按其分配的營運所在地點劃分。

15. SEGMENT REPORTING (Continued)

c) Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, prepaid lease payments on land under operating leases, intangible assets and goodwill ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset in the case of property, plant and equipment and prepaid lease payments on land under operating leases, and the location of the operation to which they are allocated in the case of intangible assets and goodwill.

		對外客戶之收益		特定非流動資產	
		Revenues from external customers		Specified non-current assets	
		二零零九年	二零零八年	二零零九年	二零零八年
		2009	2008	2009	2008
		千港元	千港元	千港元	千港元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
中國(註冊地點)	The PRC (place of domicile)	1,036,856	1,071,975	1,327,816	1,442,405
日本	Japan	73,365	191,564	–	–
歐洲	Europe	58,332	82,000	–	–
美國	The United States of America	30,670	15,998	–	–
其他	Others	12,460	3,353	35	20
		174,827	292,915	35	20
		1,211,683	1,364,890	1,327,851	1,442,425

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NOTES TO THE FINANCIAL STATEMENTS

截至二零零九年十二月三十一日止年度 For the year ended 31 December 2009

15. 分部報告 (續)

d) 有關主要客戶之資料

本集團之客戶基礎分散，於截至二零零九年十二月三十一日止年度，僅有一名稀土分部客戶之銷售額約為148,220,000港元，超過本集團營業額之10%。截至二零零八年十二月三十一日止年度，並無任何客戶之銷售額超過本集團營業額之10%。

15. SEGMENT REPORTING (Continued)

d) Information about major customers

The Group's customer base is diversified and includes only one customer in rare earth segment with whom sales amounted to approximately HK\$148,220,000 for the year ended 31 December 2009 that exceeded 10% of the Group's turnover. There is no customer with whom sales exceeded 10% of the Group's turnover for the year ended 31 December 2008.

16. 商譽 本集團

16. GOODWILL The Group

		HK\$'000 千港元
成本	Cost	
於二零零八年一月一日	At 1 January 2008	206,705
收購附屬公司(附註34(a)&(b))	Acquisition of subsidiaries (note 34(a)&(b))	85,843
匯兌差異	Exchange differences	4,336
		<hr/>
於二零零八年十二月三十一日 及二零零九年一月一日	At 31 December 2008 and 1 January 2009	296,884
匯兌差異	Exchange differences	255
		<hr/>
於二零零九年十二月三十一日	At 31 December 2009	297,139
		<hr/>
累計減值	Accumulated impairment	
於二零零八年一月一日	At 1 January 2008	-
減值虧損	Impairment loss	208,804
匯兌差異	Exchange differences	2,237
		<hr/>
於二零零八年十二月三十一日 及二零零九年一月一日	At 31 December 2008 and 1 January 2009	211,041
匯兌差異	Exchange differences	118
		<hr/>
於二零零九年十二月三十一日	At 31 December 2009	211,159
		<hr/>
賬面值	Carrying amount	
於二零零九年十二月三十一日	At 31 December 2009	85,980
		<hr/>
於二零零八年十二月三十一日	At 31 December 2008	85,843
		<hr/>

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NOTES TO THE FINANCIAL STATEMENTS

截至二零零九年十二月三十一日止年度 For the year ended 31 December 2009

16. 商譽 (續)

賺取現金單位 (「賺取現金單位」) (包括商譽) 之減值測試

商譽被分配至如下根據呈報分部確認之本集團賺取現金單位：

16. GOODWILL (Continued)

Impairment test for cash-generating unit ("CGU") containing goodwill

Goodwill is allocated to the Group's CGU identified according to reportable segments as follows:

		本集團 The Group	
		二零零九年 2009 千港元 HK\$' 000	二零零八年 2008 千港元 HK\$' 000
稀土分部 (附註a)	Rare earth segment (note a)	85,980	85,843
耐火分部 (附註b)	Refractory segment (note b)	211,159	211,041
		297,139	296,884

附註：

- a) 就減值測試而言，稀土分部之商譽乃於截至二零零八年十二月三十一日止年度收購附屬公司 (附註34(a)及(b)) 時產生。

截至二零零八年十二月三十一日止年度收購之附屬公司主要從事稀土業務。

於二零零九年十二月三十一日，本集團參考與本集團並無關連之獨立合資格專業估值師威格斯資產評估顧問有限公司 (「威格斯」) 作出之評估，對稀土分部賺取現金單位之減值測試進行檢討。稀土分部賺取現金單位之可收回金額乃根據使用價值計算釐定。該等計算使用根據管理層批准覆蓋五年期間之財政預算 (基於稀土分部賺取現金單位的平均業務及經營年期計算) 計算之現金流量預測。超出五年期之現金流量乃使用下文所述之估計比率推算。增長率並無超出稀土分部賺取現金單位所經營業務之有關長期平均增長率。

Note:

- a) For the purposes of impairment testing, goodwill for rare earth segment arose from the acquisition of subsidiaries (see note 34(a) & (b)) during the year ended 31 December 2008.

Subsidiaries acquired during the year ended 31 December 2008 are principally engaged in rare earth business.

As at 31 December 2009, the Group performed an impairment review for the CGU of rare earth segment with reference to the valuation carried out by Vigers Appraisal & Consulting Limited ("Vigers"), independent qualified professional valuers not connected with the Group. The recoverable amount of the CGU of the rare earth segment is determined based on value in use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period, which is based on the average business and operation life over the CGU of the rare earth segment. Cash flows beyond the five-year period are extrapolated using the estimated rates stated below. The growth rates do not exceed the respective long-term average growth rates for the business in which the CGU of the rare earth segment operates.

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NOTES TO THE FINANCIAL STATEMENTS

截至二零零九年十二月三十一日止年度 For the year ended 31 December 2009

16. 商譽(續)

附註：(續)

a) (續)

使用價值計算所用之主要假設：

毛利率	Gross margin
增長率	Growth rate
折現率	Discount rate

管理層根據過往表現及對市場發展之預期釐定預算毛利率。該折現率為稅前，並反映相關分部之特定風險。

根據使用價值計算，稀土分部賺取現金單位之可收回金額高於其賬面值。因此，於截至二零零九年及二零零八年十二月三十一日止兩個年度之綜合收益表內並無就稀土分部之商譽確認減值虧損。

- b) 就減值測試而言，耐火分部之商譽分別於二零零四年一月二十九日及二零零五年十二月二十三日收購無錫新威高溫陶瓷有限公司(「高溫陶瓷」)及海城市蘇海鎂礦有限公司(「蘇海鎂礦」)100%股權時產生。

高溫陶瓷及蘇海鎂礦主要從事耐火業務。

本集團支付代價約207,000,000港元收購於中國的高溫陶瓷。本公司董事相信，該收購將促使本集團擴大其耐火材料業務類別至高溫陶瓷產品，並為本集團帶來更豐厚溢利。

本集團支付代價約115,385,000港元收購於中國的蘇海鎂礦，以進軍耐火產品原材料供應及上游業務，並為本集團帶來新溢利來源。此外，本公司董事相信，本集團將利用蘇海鎂礦靠近鎂礦資源之優勢開發高純鎂砂業務。

16. GOODWILL (Continued)

Note: (Continued)

a) (Continued)

Key assumptions used for value in use calculations:

本集團	
The Group	
二零零九年	二零零八年
2009	2008

25%-47%	33-41%
3%	0%
14%	13-14%

Management determined the budgeted gross margin based on past performance and its expectation for market development. This discount rate used is pre-tax rates and reflects specific risks relating to the relevant segment.

The recoverable amounts of the CGU of rare earth segment is higher than their carrying amount based on value in use calculations. Accordingly, no impairment loss on goodwill of rare earth segment is recognised in the consolidated income statement for the two years ended 31 December 2009 and 2008.

- b) For the purposes of impairment testing, goodwill of refractory segment arose from the acquisitions of 100% equity interests in Wuxi Xinwei High Temperature Ceramics Co., Ltd. ("High Temperature Ceramics") and Haicheng City Suhai Magnesium Ore Co., Ltd. ("Suhai Magnesium") on 29 January 2004 and 23 December 2005 respectively.

High Temperature Ceramics and Suhai Magnesium are principally engaged in refractory business.

The Group paid a consideration of approximately HK\$207,000,000 to acquire High Temperature Ceramics in the PRC. The directors of the Company believe that the acquisition allowed the Group to broaden the product category of its refractory materials business to cover high temperature ceramics products and generate higher profit for the Group.

The Group paid a consideration of approximately HK\$115,385,000 to acquire Suhai Magnesium in the PRC so as to access to raw materials supply and upstream business for the refractory products and presented the Group with a new source of profit. In addition, the directors of the Company believe that the Group will ride on Suhai Magnesium's advantage of proximity to magnesium resources to develop high purity magnesium grains business.

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NOTES TO THE FINANCIAL STATEMENTS

截至二零零九年十二月三十一日止年度 For the year ended 31 December 2009

16. 商譽 (續)

附註：(續)

b) (續)

於申報期間結算日，耐火分部的商譽乃於收購以下附屬公司時產生：

		本集團 The Group	
		二零零九年 2009 千港元 HK\$'000	二零零八年 2008 千港元 HK\$'000
高溫陶瓷	High Temperature Ceramics	136,540	136,540
蘇海鎂礦	Suhai Magnesium	74,619	74,501
		211,159	211,041

於二零零八年十二月三十一日，本集團參考與威格斯進行之評估，對耐火分部賺取現金單位之減值測試進行檢討。耐火分部賺取現金單位之可收回金額乃根據使用價值計算釐定。該等計算使用根據管理層批准覆蓋四年期間之財政預算（基於耐火分部賺取現金單位的平均業務及經營年期計算）計算之現金流量預測。超出四年期之現金流量乃使用下文所述之估計比率推算。增長率並無超出耐火分部賺取現金單位所經營業務之有關長期平均增長率。

使用價值計算所用之主要假設：

		本集團 The Group 二零零八年 2008
毛利率	Gross margin	28-35%
增長率	Growth rate	3%
折現率	Discount rate	13%

16. GOODWILL (Continued)

Note: (Continued)

b) (Continued)

At the end of the reporting period, the goodwill of the refractory segment arose from the acquisition of subsidiaries as follows:

As at 31 December 2008, the Group performed an impairment review for the CGU of refractory segment with the reference to the valuation carried out by Vigers. The recoverable amount of the CGU of the refractory segment is determined based on value in use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a four-year period, which is based on the average business and operation life over the CGU of the refractory segment. Cash flows beyond the four-year period are extrapolated using the estimated rates stated below. The growth rates do not exceed the respective long-term average growth rates for the business in which the CGU of the refractory segment operates.

Key assumptions used for value in use calculations:

16. 商譽(續)

附註：(續)

b) (續)

管理層根據過往表現及對市場發展之預期釐定預算毛利率。該折現率為稅前，並反映相關分部之特定風險。

根據使用價值計算，耐火分部賺取現金單位之可收回金額微乎其微。因此，於截至二零零八年十二月三十一日止年度之綜合收益表內悉數確認耐火分部之商譽減值虧損約208,804,000港元。本集團管理層相信，由於營商環境轉壞及經濟衰退導致毛利減少，相關業務單位之可收回款項低於其各自之賬面值。

16. GOODWILL (Continued)

Note: (Continued)

b) (Continued)

Management determined the budgeted gross margin based on past performance and its expectation for market development. This discount rate used is pre-tax rates and reflects specific risks relating to the relevant segment.

The recoverable amounts of the CGU of refractory segment are insignificant based on value in use calculations. Accordingly, full impairment loss of approximately HK\$208,804,000 on goodwill on refractory segment was recognised in the consolidated income statement for the year ended 31 December 2008. The management of the Group believes that the recoverable amount of the relevant business unit is less than its respective carrying amount as a result of lower gross profit because of the deteriorating operating environment and economic downturn.

財務報表附註

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截至二零零九年十二月三十一日止年度 For the year ended 31 December 2009

17. 物業、廠房及設備

a) 本集團

17. PROPERTY, PLANT AND EQUIPMENT

a) The Group

		持作 自用之樓宇 Buildings held for own use 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	總值 Total 千港元 HK\$'000
成本或估值	Cost or valuation						
於二零零八年一月一日	At 1 January 2008	160,648	715,184	6,454	4,971	159,245	1,046,502
收購附屬公司 (附註34(a)及(b))	Acquisition of subsidiaries (note 34(a) & (b))	27,395	13,894	265	1,329	-	42,883
重估盈餘淨值(附註ii)	Net surplus on revaluation (note ii)	10,941	-	-	-	-	10,941
添置	Additions	120	8,707	256	215	64,572	73,870
由在建工程轉入	Transfer from construction- in-progress	58,757	101,852	-	-	(160,609)	-
處置	Disposals	-	(27,630)	-	(161)	-	(27,791)
累計折舊抵銷	Elimination of accumulated depreciation	(14,354)	-	-	-	-	(14,354)
匯兌差異	Exchange differences	12,089	46,764	385	308	6,868	66,414
於二零零八年十二月三十一日 及二零零九年一月一日	At 31 December 2008 and 1 January 2009	255,596	858,771	7,360	6,662	70,076	1,198,465
添置	Additions	-	1,454	86	330	12,357	14,227
由在建工程轉入	Transfer from construction- in-progress	260	5,038	-	-	(5,298)	-
處置	Disposals	-	(824)	-	(681)	-	(1,505)
匯兌差異	Exchange differences	406	1,371	11	11	116	1,915
於二零零九年十二月三十一日	At 31 December 2009	256,262	865,810	7,457	6,322	77,251	1,213,102
包括：	Comprising:						
於二零零九年十二月三十一日	At 31 December 2009						
按成本	At cost	-	865,810	7,457	6,322	77,251	956,840
按估值	At valuation	256,262	-	-	-	-	256,262
		256,262	865,810	7,457	6,322	77,251	1,213,102
於二零零八年十二月三十一日	At 31 December 2008						
按成本	At cost	-	858,771	7,360	6,662	70,076	942,869
按估值	At valuation	255,596	-	-	-	-	255,596
		255,596	858,771	7,360	6,662	70,076	1,198,465

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截至二零零九年十二月三十一日止年度 For the year ended 31 December 2009

17. 物業、廠房及設備 (續)

a) 本集團 (續)

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

a) The Group (Continued)

		持作 自用之樓宇 Buildings held for own use 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	總值 Total 千港元 HK\$'000
累計折舊及減值	Accumulated depreciation and impairment						
於二零零八年一月一日	At 1 January 2008	-	293,288	5,906	3,235	-	302,429
本年度計提	Charge for the year	13,923	77,198	218	617	-	91,956
處置撥回	Written back on disposals	-	(18,091)	-	(67)	-	(18,158)
減值虧損 (附註iii)	Impairment loss (note iii)	-	97,498	-	-	-	97,498
重估抵銷	Elimination on revaluation	(14,354)	-	-	-	-	(14,354)
匯兌差異	Exchange differences	431	22,972	352	215	-	23,970
於二零零八年十二月三十一日及 二零零九年一月一日	At 31 December 2008 and 1 January 2009	-	472,865	6,476	4,000	-	483,341
本年度計提	Charge for the year	18,382	75,271	275	870	-	94,798
處置撥回	Written back on disposals	-	(824)	-	(597)	-	(1,421)
匯兌差異	Exchange differences	14	811	10	7	-	842
於二零零九年十二月三十一日	At 31 December 2009	18,396	548,123	6,761	4,280	-	577,560
賬面值	Carrying amount						
於二零零九年十二月三十一日	At 31 December 2009	237,866	317,687	696	2,042	77,251	635,542
於二零零八年十二月三十一日	At 31 December 2008	255,596	385,906	884	2,662	70,076	715,124

17. 物業、廠房及設備 (續)

a) 本集團 (續)

- i) 持作自用之樓宇乃位於中國根據中期租約持有之土地。
- ii) 本集團持作自用之樓宇於二零零八年十二月三十一日之重估值乃根據威格斯於該日進行之估值基準達致。有關估值乃以重置成本折舊法進行，經考慮有關樓宇重置成本扣除於該日存在之樓齡、狀況、經濟或功能退化及環境因素計算。

截至二零零八年十二月三十一日止年度，持作自用之樓宇之重估盈餘淨值包括重估盈餘約40,587,000港元及重估虧絀約29,646,000港元已分別於其他全面收益及綜合收益表內確認。

於二零零九年十二月三十一日，倘該等持作自用之樓宇按成本減累計折舊及減值列賬，則賬面值將約為227,775,000港元(二零零八年：244,655,000港元)。

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

a) The Group (Continued)

- i) The buildings held for own use are situated on land held under medium-term leases in the PRC.
- ii) The revaluation of the Group's buildings held for own use as at 31 December 2008 has been arrived at on the basis of valuations carried out on that date by Vigers. The valuation is based on a depreciable replacement cost approach and is arrived at by taking into consideration of the replacement cost of the buildings and deductions to account for the age, condition, economic or functional obsolescence and environmental factors existing at that date.

For the year ended 31 December 2008, net surplus on revaluation for buildings held for own use includes revaluation surplus of approximately HK\$40,587,000 and revaluation deficit of approximately HK\$29,646,000 have been recognised in other comprehensive income and consolidated income statement respectively.

As at 31 December 2009, had these buildings held for own use been carried at cost less accumulated depreciated and impairment, the carrying amount would have been approximately HK\$227,775,000 (2008: HK\$244,655,000).

17. 物業、廠房及設備(續)

a) 本集團(續)

- iii) 截至二零零八年十二月三十一日止年度，由於本身損壞及技術過時，多項機器及設備出現減值。因此，本集團評估該等機器及設備之可收回金額。根據該次評估，機器及設備之賬面值撇減約97,498,000港元。估值乃根據威格斯參考現時市場類似機器及設備，計算重新製造或重置該機器及設備之成本，並扣除磨損及各種相關陳舊，按公開市場及折舊重置成本進行。

本公司董事認為，於二零零九年十二月三十一日，並無跡象顯示機器及設備之賬面值出現減值，因此毋須作出減值。

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

a) The Group (Continued)

- iii) During the year ended 31 December 2008, a number of machinery and equipment were impaired due to physical damage and technical obsolescence. As a result, the Group assessed the recoverable amounts of those machinery and equipment. Based on this assessment, the carrying amount of the machinery and equipment was written down by approximately HK\$97,498,000. Valuation has been performed by Vigers on the basis of open market and depreciable replacement cost by making reference to the cost required to reproduce or replace the machinery and equipment in accordance with current market prices for similar machinery and equipment and deducting physical deterioration and all relevant forms of obsolescence.

The directors of the Company are of the opinion that there is no indication of impairment in the carrying amount of machinery and equipment as at 31 December 2009 and accordingly no impairment is necessary.

財務報表附註

NOTES TO THE FINANCIAL STATEMENTS

截至二零零九年十二月三十一日止年度 For the year ended 31 December 2009

17. 物業、廠房及設備 (續)

b) 本公司

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

b) The Company

辦公室設備及裝置

Office equipment and fixtures

千港元

HK\$'000

成本	Cost	
於二零零八年一月一日	At 1 January 2008	344
添置	Additions	1
於二零零八年十二月三十一日 及二零零九年一月一日	At 31 December 2008 and 1 January 2009	345
添置	Additions	22
於二零零九年十二月三十一日	At 31 December 2009	367
累計折舊	Accumulated depreciation	
於二零零八年一月一日	At 1 January 2008	316
本年度計提	Charge for the year	9
於二零零八年十二月三十一日 及二零零九年一月一日	At 31 December 2008 and 1 January 2009	325
本年度計提	Charge for the year	7
於二零零九年十二月三十一日	At 31 December 2009	332
賬面值	Carrying amount	
於二零零九年十二月三十一日	At 31 December 2009	35
於二零零八年十二月三十一日	At 31 December 2008	20

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NOTES TO THE FINANCIAL STATEMENTS

截至二零零九年十二月三十一日止年度 For the year ended 31 December 2009

18. 經營租約下預付土地租金

18. PREPAID LEASE PAYMENTS ON LAND UNDER OPERATING LEASES

		本集團	
		The Group	
		二零零九年	二零零八年
		2009	2008
		千港元	千港元
		HK\$'000	HK\$'000
於一月一日之賬面值	Carrying amount at 1 January	268,190	163,121
收購附屬公司(附註34(a)及(b))	Acquisition of subsidiaries (note 34(a) & (b))	-	34,017
添置	Additions	-	63,655
本年度攤銷	Amortisation for the year	(5,750)	(4,515)
匯兌差異	Exchange differences	422	11,912
於十二月三十一日之賬面值	Carrying amount at 31 December	262,862	268,190
於中國之租賃土地：	Leasehold land in the PRC:		
中期租約	Medium-term leases	262,862	268,190
就報告目的而作出之分析如下：	Analysed for reporting purposes as:		
流動資產	Current asset	5,756	5,746
非流動資產	Non-current asset	257,106	262,444
		262,862	268,190

本年度攤銷支出約1,353,000港元(二零零八年：421,000港元)及4,397,000港元(二零零八年：4,094,000港元)分別計入綜合收益表中銷售成本及管理費用內。

The amortisation charges of approximately HK\$1,353,000 (2008: HK\$421,000) and HK\$4,397,000 (2008: HK\$4,094,000) for the year are included in cost of sales and administrative expenses respectively in the consolidated income statement.

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NOTES TO THE FINANCIAL STATEMENTS

截至二零零九年十二月三十一日止年度 For the year ended 31 December 2009

19. 無形資產

本集團

19. INTANGIBLE ASSETS

The Group

		稀土礦物 獨家採購權	稀土礦物初步 分離之技術 專業知識 Technical know-how for preliminary separation of rare earth minerals	稀土金屬產品之 技術專業知識 Technical know-how for rare earth metal products	總值
		千港元 HK\$' 000	千港元 HK\$' 000	千港元 HK\$' 000	千港元 HK\$' 000
成本	Cost				
於二零零八年一月一日	At 1 January 2008	-	-	-	-
收購附屬公司 (附註34(a)及(b))	Acquisition of subsidiaries (note 34(a) & (b))	201,502	61,687	115,825	379,014
於二零零八年十二月三十一日 及二零零九年一月一日	At 31 December 2008 and 1 January 2009	201,502	61,687	115,825	379,014
匯兌差額	Exchange differences	320	98	184	602
於二零零九年十二月三十一日	At 31 December 2009	201,822	61,785	116,009	379,616
累計攤銷	Accumulated amortisation				
於二零零八年一月一日、 二零零八年十二月三十一日 及二零零九年一月一日	At 1 January 2008, 31 December 2008 and 1 January 2009	-	-	-	-
本年度攤銷	Amortisation for the year	12,604	6,173	11,592	30,369
匯兌差額	Exchange differences	10	5	9	24
於二零零九年十二月三十一日	At 31 December 2009	12,614	6,178	11,601	30,393
賬面值	Carrying amount				
於二零零九年十二月三十一日	At 31 December 2009	189,208	55,607	104,408	349,223
於二零零八年十二月三十一日	At 31 December 2008	201,502	61,687	115,825	379,014

19. 無形資產 (續)

a) 稀土礦物獨家採購權

於二零零七年十一月十五日，江華瑤族自治縣興華稀土新材料有限公司(「興華稀土」)與一家獲當地政府授予開採礦藏位於中國湖南省江華縣之稀土礦獨家開採權之稀土礦物供應商(「該供應商」)(一家在中國註冊成立之公司)就收購稀土礦物獨家採購權訂立了協議(「採購協議」)。根據採購協議，該供應商同意於二零二七年十一月三十日屆滿之20年期間向興華稀土獨家出售稀土礦物。於該20年期間，興華稀土享有向該供應商之稀土礦物獨家採購權。

稀土礦物獨家採購權作為於截至二零零八年十二月三十一日止年度內收購興華稀土之業務合併組成部份，其詳情載於附註34(b)。

稀土礦物獨家採購權具有有限使用年期，並以直線法參考稀土礦藏量16年的估計使用年期進行攤銷。

19. INTANGIBLE ASSETS (Continued)

a) Exclusive right to purchase rare earth minerals

On 15 November 2007, Jianghua Yao Nationality Autonomous County Xinghua Rare Earth Company Limited ("Xinghua Rare Earth") entered into an Agreement for the acquisition of the exclusive right to purchase rare earth minerals ("Purchase Agreement") from a rare earth minerals supplier ("the Supplier"), a company established in the PRC with exclusive rare earth mining rights granted by the local government for exploiting rare earth minerals from a mine located in Jianghua County of Hunan Province, the PRC. Pursuant to the Purchase Agreement, the Supplier agreed to exclusively sell rare earth minerals to Xinghua Rare Earth throughout a period of 20 years expiring on 30 November 2027. During the 20-year period, Xinghua Rare Earth is entitled to the exclusive right to purchase rare earth minerals from the Supplier.

The exclusive right to purchase rare earth minerals was acquired as part of the business combination of Xinghua Rare Earth during the year ended 31 December 2008, details of which are set out in note 34(b).

The exclusive right to purchase rare earth minerals has finite useful life and is amortised on a straight-line basis over the estimated useful live of 16 years with reference to the minerals reserves of the rare earth mine.

19. 無形資產 (續)

b) 稀土礦物初步分離之技術專業知識

該技術專業知識與將減省若干加工階段及原材料使用之稀土礦物初步分離技術有關，並作為於截至二零零八年十二月三十一日止年度內收購興華稀土業務合併之組成部份，其詳情載於附註34(b)。

技術專業知識具有有限使用年限，按直線法於其估計可使用年限10年進行攤銷。

c) 稀土金屬產品之技術專業知識

該技術專業知識與生產金屬形態稀土產品之技術有關，並作為於截至二零零八年十二月三十一日止年度內收購和平縣東冶稀土新材料有限公司(「東冶稀土」)業務合併之組成部份，其詳情載於附註34(a)。

技術專業知識具有有限使用年期，並按直線法於其估計使用年期10年進行攤銷。

本公司董事認為，於二零零九年及二零零八年十二月三十一日，並無跡象顯示稀土礦物獨家採購權及專業技術知識之賬面值出現減值，因此，無需作出減值撥備。

19. INTANGIBLE ASSETS (Continued)

b) Technical know-how for preliminary separation of rare earth minerals

The technical know-how relates to the technology on the preliminary separation of rare earth minerals which will reduce certain processing phases and raw materials usage and was acquired as part of the business combination of Xinghua Rare Earth during the year ended 31 December 2008, details of which are set out in note 34(b).

The technical know-how has finite useful live and is amortised on a straight-line basis over its estimated useful live of 10 years.

c) Technical know-how for rare earth metal products

The technical know-how relates to the technology on manufacturing of rare earth products in metal form and was acquired as part of the business combination of Heping County Dongye Rare Earth Company Limited ("Dongye Rare Earth") during the year ended 31 December 2008, details of which are set out in note 34(a).

The technical know-how has finite useful live and is amortised on a straight-line basis over its estimated useful live of 10 years.

The directors of the Company are of the opinion that there is no indication of impairment in the carrying amounts of the exclusive right to purchase rare earth minerals and technical know-how as at 31 December 2009 and 2008 and accordingly no impairment is necessary.

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截至二零零九年十二月三十一日止年度 For the year ended 31 December 2009

20. 於附屬公司之投資

20. INVESTMENTS IN SUBSIDIARIES

		本公司 The Company	
		二零零九年 2009	二零零八年 2008
		千港元 HK\$'000	千港元 HK\$'000
非上市股份，按成本值	Unlisted shares, at cost	151,707	151,707

於二零零九年十二月三十一日，附屬公司詳情如下：

At as 31 December 2009, the details of subsidiaries are as follows:

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	已註冊及 已繳足股本 Registered and fully paid capital	已發行及 已繳足股本 Issued and fully paid capital	本公司應佔權益／ 有投票權股本實際百分比 Effective percentage of equity interests/voting rights held by the Company		主營業務 Principal activities
					直接 Directly %	間接 Indirectly %	
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 (附註(a))	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 (note (a))	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

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20. 於附屬公司之投資 (續)

20. INVESTMENTS IN 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	已註冊及 已繳足股本 Registered and fully paid capital	已發行及 已繳足股本 Issued and fully paid capital	本公司應佔權益/ 有投票權股本實際百分比 Effective percentage of equity interests/voting rights held by the Company		主營業務 Principal activities
					直接 Directly %	間接 Indirectly %	
宜興新威利成稀土有限公司 (附註(b))	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 (note (b))	The PRC 17 July 1993	Contributed capital	US\$15,660,000	-	-	95	Manufacturing and sales of rare earth products
宜興新威利成耐火材料有限公司 (附註(a))	中國 一九九九年七月三十日	繳入資本	17,000,000美元	-	-	100	製造及銷售 耐火產品
Yixing Xinwei Leeshing Refractory Materials Co., Ltd. (note (a))	The PRC 30 July 1999	Contributed capital	US\$17,000,000	-	-	100	Manufacturing and sales of refractory products
無錫新威熒光材料有限公司 (附註(a))	中國 二零零一年十二月二十日	繳入資本	8,520,000美元	-	-	100	製造及銷售 熒光產品
Wuxi Xinwei Fluorescent Materials Co., Ltd. (note (a))	The PRC 20 December 2001	Contributed capital	US\$8,520,000	-	-	100	Manufacturing and sales of fluorescent products
微料資源有限公司	香港 一九九八年十月二十三日	普通股	-	2港元	-	100	暫無業務
Microtech Resources Limited	Hong Kong 23 October 1998	Ordinary	-	HK\$2	-	100	Dormant

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截至二零零九年十二月三十一日止年度 For the year ended 31 December 2009

20. 於附屬公司之投資 (續)

20. INVESTMENTS IN 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	已註冊及 已繳足股本 Registered and fully paid capital	已發行及 已繳足股本 Issued and fully paid capital	本公司應佔權益/ 有投票權股本實際百分比 Effective percentage of equity interests/voting rights held by the Company		主營業務 Principal activities
					直接 Directly %	間接 Indirectly %	
中國稀土貿易有限公司 China Rare Earth Trading Limited	香港 二零零零年三月二十四日 Hong Kong 24 March 2000	普通股 Ordinary	-	2港元 HK\$2	-	100	暫無業務 Dormant
無錫新威高溫陶瓷有限公司 (附註(a)) Wuxi Xinwei High Temperature Ceramics Co., Ltd. (note (a))	中國 二零零二年四月一日 The PRC 1 April 2002	繳入資本 Contributed capital	30,000,000港元 HK\$30,000,000	-	-	100	製造及銷售 高溫陶瓷產品 Manufacturing and sales of high temperature ceramics products
海城市蘇海鎂礦有限公司 (附註(c)) Haicheng City Suhai Magnesium Ore Co., Ltd. (note (c))	中國 二零零二年四月二十七日 The PRC 27 April 2002	繳入資本 Contributed capital	人民幣 25,000,000元 RMB25,000,000	-	-	100	製造及銷售 鎂鈔產品 Manufacturing and sales of magnesium products
宜興威爾發非金屬材料有限公司 (附註(a)) Yixing Wellfire Nonmetal Materials Co., Ltd. (note (a))	中國 二零零六年九月二十七日 The PRC 27 September 2006	繳入資本 Contributed capital	3,000,000美元 US\$3,000,000	-	-	100	製造及銷售 耐火相關產品 Manufacturing and sales of refractory related products

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20. 於附屬公司之投資 (續)

20. INVESTMENTS IN 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	已註冊及 已繳足股本 Registered and fully paid capital	已發行及 已繳足股本 Issued and fully paid capital	本公司應佔權益/ 有投票權股本實際百分比 Effective percentage of equity interests/voting rights held by the Company		主營業務 Principal activities
					直接 Directly %	間接 Indirectly %	
海城新威利成鎂資源有限公司 (附註(a))	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. (note (a))	The PRC 28 September 2006	Contributed capital	US\$3,500,000	-	-	100	Manufacturing and sales of magnesium products
和平縣東冶稀土新材料有限公司 (附註(c))	中國 二零零五年十一月十五日	繳入資本 人民幣20,000,000元		-	-	95	製造及銷售稀土 金屬產品
Heping County Dongye Rare Earth Company Limited (note (c))	The PRC 15 November 2005	Contribution capital	RMB20,000,000	-	-	95	Manufacturing and sales of rare earth metal products
江華瑤族自治縣興華稀土 新材料有限公司(附註(c))	中國 二零零六年五月二十二日	繳入資本 人民幣20,000,000元		-	-	95	製造及銷售稀土礦物
Jianghua Yao Nationality Autonomous County Xinghua Rare Earth Company Limited (note (c))	The PRC 22 May 2006	Contribution capital	RMB20,000,000	-	-	95	Manufacturing and sales of rare earth minerals
銀茂控股有限公司	香港 二零零八年一月二十三日	普通股	-	1港元	-	100	投資控股
Silver Mile Holdings Limited	Hong Kong 23 January 2008	Ordinary	-	HK\$1	-	100	Investment holding

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截至二零零九年十二月三十一日止年度 For the year ended 31 December 2009

20. 於附屬公司之投資 (續)

附註：

- a) 根據中國法例註冊成立為外商獨資企業。
- b) 根據中國法例註冊成立為中外合營企業。
- c) 根據中國法例註冊成立為有限責任公司。

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。

21. 存貨

- a) 綜合財務狀況表之存貨包括：

20. INVESTMENTS IN SUBSIDIARIES (Continued)

Note:

- a) Registered under the laws of the PRC as a wholly-owned foreign enterprise.
- b) Registered under the laws of the PRC as a sino-foreign equity enterprise.
- c) Registered under the laws of the PRC as a limited liability enterprise.

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

21. INVENTORIES

- a) Inventories in the consolidated statement of financial position comprise:

		本集團	
		The Group	
		二零零九年	二零零八年
		2009	2008
		千港元	千港元
		HK\$'000	HK\$'000
原材料	Raw materials	44,035	48,088
在製品	Work in progress	100,291	99,905
產成品	Finished goods	90,264	160,844
		234,590	308,837

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截至二零零九年十二月三十一日止年度 For the year ended 31 December 2009

21. 存貨(續)

b) 確認為開支之存貨金額之分析如下：

21. INVENTORIES (Continued)

b) The analysis of the amount of inventories recognised as an expense is as follows:

		本集團 The Group	
		二零零九年 2009 千港元 HK\$' 000	二零零八年 2008 千港元 HK\$' 000
已售存貨之賬面值	Carrying amount of inventories sold	957,555	978,052
存貨撇減	Write down of inventories	22,691	37,551
		980,246	1,015,603

22. 應收賬款及其他應收款、預付款項及按金

22. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

		本集團 The Group		本公司 The Company	
		二零零九年 2009 千港元 HK\$' 000	二零零八年 2008 千港元 HK\$' 000	二零零九年 2009 千港元 HK\$' 000	二零零八年 2008 千港元 HK\$' 000
應收賬款(附註(b))	Trade receivables (note (b))	382,815	402,751	–	–
其他應收款	Other receivables	84,580	9,268	67	621
貸款及應收款項	Loans and receivables	467,395	412,019	67	621
預付款項及按金	Prepayments and deposits	68,645	70,042	746	656
		536,040	482,061	813	1,277

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22. 應收賬款及其他應收款、預付款項及按金(續)

附註：

- a) 除預付款項及按金外，所有應收賬款及其他應收款預期可於一年內收回。
- b) 應收賬款之賬齡分析如下：

22. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (Continued)

Note:

- a) All of the trade and other receivables, apart from prepayments and deposits, are expected to be recovered within one year.
- b) The ageing analysis of the trade receivables is as follows:

		本集團 The Group	
		二零零九年 2009 千港元 HK\$'000	二零零八年 2008 千港元 HK\$'000
即期至6個月以內	Current to less than 6 months	365,996	324,764
6個月至1年以內	6 months to less than 1 year	13,861	82,510
1至2年以內	1 to less than 2 years	13,451	17,603
2年以上	Over 2 years	10,747	4,840
		404,055	429,717
減：應收賬款減值虧損	Less: Impairment loss on trade receivables	(21,240)	(26,966)
		382,815	402,751

本集團給予其貿易客戶30至180日之平均信貸期。

本集團信貸於評估客戶的財政能力及付款往績後授出。本集團為所有客戶制定信貸限額，僅可在本集團高級人員之批准下方可超過信貸限額。與客戶進行被視為產生信貸風險之業務將按現金基準進行。管理層監督已逾期之應收賬款並跟進收回。

The Group allows an average credit period of 30 to 180 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 out for all customers and these can be exceeded only with the approval of senior officers of the Group. Business with customers considered to have a credit risk is conducted on a cash basis. Management monitors overdue trade receivables and follows up collections.

22. 應收賬款及其他應收款、預付款項及按金(續)

附註：(續)

c) 應收賬款及其他應收款減值

應收賬款及其他應收款減值虧損之變動如下：

於一月一日	At 1 January
本年度應收賬款及其他應收款減值虧損撥回	Write back of impairment loss on trade and other receivables during the year
本年度已確認之應收賬款及其他應收款減值虧損	Impairment loss on trade and other receivables recognised during the year
匯兌差異	Exchange differences
於十二月三十一日	At 31 December

應收賬款及其他應收款之減值虧損採用準備賬列賬，除非本集團認為該款項之收回性微乎其微，在該情況下，減值虧損將在應收賬款及其他應收款直接撇銷(見附註2(h)(i))。

應收賬款及其他應收款減值虧損撥回指先前認為將予減值之該等應收賬款及其他應收款之應收債項之可收回性。過往年度已作出之尚未收回款項之準備相應予以撥回。

於二零零九年十二月三十一日，本集團為數約23,005,000港元(二零零八年：28,235,000港元)應收賬款及其他應收款個別釐定為減值並已作出全數撥備。該等個別減值應收款為於申報期間結算日超過1年尚未償還或為應收陷入財務困境公司之款項。因此，呆賬特別準備約3,996,000港元(二零零八年：22,089,000港元)已於年內確認。本集團並無就該等結餘持有任何抵押品。

22. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (Continued)

Note: (Continued)

c) Impairment of trade and other receivables

The movement of impairment loss on trade and other receivables are as follows:

本集團		二零零九年	二零零八年
The Group		2009	2008
		千港元	千港元
		HK\$'000	HK\$'000
	於一月一日	28,235	9,246
	本年度應收賬款及其他應收款減值虧損撥回	(9,267)	(4,224)
	本年度已確認之應收賬款及其他應收款減值虧損	3,996	22,089
	匯兌差異	41	1,124
	於十二月三十一日	23,005	28,235

Impairment losses in respect of trade and other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and other receivables directly (see note 2(h)(i)).

Write back of impairment loss on trade and other receivables represents the recovery of debts due from these trade and other receivables previously considered to be impaired. An allowance for the non-recoverable amounts that had been made in previous years was written back accordingly.

As at 31 December 2009, trade and other receivables of the Group amounting to approximately HK\$23,005,000 (2008: HK\$28,235,000) were individually determined to be impaired and full provision had been made. These individually impaired receivables had been outstanding for over 1 year as at the end of the reporting period or were due from companies with financial difficulties. Accordingly, specific allowances for doubtful debts of approximately HK\$3,996,000 (2008: HK\$22,089,000) were recognised during the year. The Group does not hold any collateral over these balances.

22. 應收賬款及其他應收款、預付款項及按金(續)

附註：(續)

c) 應收賬款及其他應收款減值(續)

本集團於個別釐定該等應收賬款及其他應收款是否出現減值時考慮之因素包括以下各點：

- 債務人面臨重大財務困境；
- 應收款已被拖欠若干期間；
- 債務人因經濟或法律原因而面對的財政困難，本集團向債務人授出於其他時候不會考慮之寬限；
- 債務人可能申請破產或進行其他財務重組；及
- 自初次確認後，儘管減少數額未能確認，但有客觀數據顯示來自債務人之估計未來現金流量出現可計量之減少，有關數據包括：
 - 本集團債務人之付款情況出現不利變動；及
 - 與本集團應收賬款及其他應收款遭拖欠有關之經濟狀況。

22. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (Continued)

Note: (Continued)

c) Impairment of trade and other receivables (Continued)

The factors which the Group considered in determining whether these trade and other receivables were individually impaired include the following:

- significant financial difficulty of the debtor;
- receivables that have been outstanding for a certain period;
- the Group granting to the debtor, for economic or legal reasons relating to the debtor's financial difficulty, a concession that the Group would not otherwise consider;
- it is becoming probable that the debtor will enter into bankruptcy or other financial reorganisation; and
- observable data indicating that there is a measurable decrease in the estimated future cash flows from the debtor since their initial recognition, although the decrease cannot yet be identified including:
 - adverse changes in the payment status of debtors of the Group; and
 - economic conditions that correlate with defaults on the trade and other receivables of the Group.

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22. 應收賬款及其他應收款、預付款項及按金(續)

附註:(續)

d) 並無減值之應收賬款

並無個別或共同視為將出現減值之應收賬款之賬齡分析如下:

22. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (Continued)

Note: (Continued)

d) Trade receivables that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

		本集團	
		The Group	
		二零零九年	二零零八年
		2009	2008
		千港元	千港元
		HK\$'000	HK\$'000
未逾期且未減值	Neither past due nor impaired	366,740	298,554
逾期少於6個月	Less than 6 months past due	14,445	101,198
逾期超過6個月但少於1年	More than 6 months but less than 1 year past due	272	2,999
逾期超過1年但少於2年	More than 1 year but less than 2 years past due	1,358	–
		16,075	104,197
		382,815	402,751

未逾期且未減值之應收款項乃與多名近期沒有拖欠紀錄之客戶有關。

已逾期但未減值之應收款項與多名與本集團保持良好往績記錄之獨立客戶有關。按照過往經驗,管理層相信,由於信貸質素並無重大變動,且該等結餘仍被視為可全數收回,故毋須就有關結餘作出減值撥備。本集團並無就該等結餘持有任何抵押品。

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

23. 應收/(應付)附屬公司及董事款項

應收/(應付)附屬公司及董事之款項為無抵押、免息及須按要求時償還。

23. AMOUNTS DUE FROM/(TO) SUBSIDIARIES AND DIRECTORS

Amounts due from/(to) subsidiaries and directors are unsecured, interest-free and repayable on demand.

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24. 已抵押銀行存款及受限制銀行結餘

於二零零九年十二月三十一日，已抵押銀行存款及受限制銀行結餘如下：

24. PLEDGED BANK DEPOSITS AND RESTRICTED BANK BALANCES

As at 31 December 2009, the pledged bank deposits and restricted bank balances are as follows:

		本集團		本公司	
		The Group		The Company	
		二零零九年	二零零八年	二零零九年	二零零八年
		2009	2008	2009	2008
		千港元	千港元	千港元	千港元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
已抵押銀行存款 (附註(a))	Pledged bank deposits (note (a))	-	134,797	-	42,270
受限制銀行結餘 (附註(b))	Restricted bank balances (note (b))	32,072	26,987	28,529	-
		32,072	161,784	28,529	42,270
減：即期部份	Less: Current portion	(8,822)	(124,106)	(5,279)	(27,270)
		23,250	37,678	23,250	15,000
非即期部份	Non-current portion				

a) 於二零零八年十二月三十一日，已抵押銀行存款約134,797,000港元指為獲取授予本集團之銀行貸款而抵押予銀行之存款。該存款約112,297,000港元按固定年利率2.54%計息。餘下已抵押銀行存款約22,500,000港元指貨幣掛鈎存款，其應收利息之金額乃與一籃子外幣於到期日之匯率掛鈎。

b) 於二零零九年及二零零八年十二月三十一日，受限制銀行結餘指銀行就向若干客戶及供應商發行信用證所規定及限制之銀行結餘，以及為本集團之無抵押長期銀行貸款維持最低銀行存款之財務契諾規定，分別為數約8,822,000港元（二零零八年：4,309,000港元）及約23,250,000港元（二零零八年：22,678,000港元）。受限制銀行結餘將於各自之交易完成後予以解除。受限制銀行結餘按市場利率每年介乎0.32%至0.36%（二零零八年：2.11%至3.71%）計息。

c) 本集團管理層認為，存款之賬面值與其公平值相若。

a) At 31 December 2008, pledged bank deposits of approximately HK\$134,797,000 are pledged to banks to secure bank borrowings granted to the Group. The deposits of approximately HK\$112,297,000 carry fixed interest rate at 2.54% per annum. The remaining pledged bank deposits of approximately HK\$22,500,000 represent currency-linked deposits where the amounts of interest receivables are linked to the exchange rates of a basket of foreign currencies on the maturity dates.

b) At 31 December 2009 and 2008, restricted bank balances represent deposits required and restricted by banks in respect of the issue of letters of credit to certain customers and suppliers, and the financial covenant requirement for the Group to maintain minimum bank deposit for unsecured long-term bank borrowings amounting to approximately HK\$8,822,000 (2008: HK\$4,309,000) and approximately HK\$23,250,000 (2008: HK\$22,678,000) respectively. The restricted bank balances will be released upon the completion of the respective transactions. The restricted bank balances carry interest at market rates which range from 0.32% to 0.36% (2008: 2.11% to 3.71%).

c) The management of the Group considers that the carrying amount of deposits approximates their fair value.

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截至二零零九年十二月三十一日止年度 For the year ended 31 December 2009

25. 現金及現金等值項目

25. CASH AND CASH EQUIVALENTS

		本集團		本公司	
		The Group		The Company	
		二零零九年	二零零八年	二零零九年	二零零八年
		2009	2008	2009	2008
		千港元	千港元	千港元	千港元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
銀行存款	Deposits with banks	210,609	149,750	210,609	149,750
銀行及手頭之現金	Cash at bank and on hand	854,515	615,502	83,013	2,281
現金及現金等值項目	Cash and cash equivalents	1,065,124	765,252	293,622	152,031

現金及現金等值項目包括本集團持有之現金及按現行市場利率計息之到期日為三個月或以下之短期銀行存款。於二零零八年十二月三十一日，短期銀行存款包括貨幣掛鈎存款約2,500,000港元，其應收利息之金額乃與一籃子貨幣於到期日之匯率掛鈎。董事認為，現金及現金等值項目之賬面值與彼等於申報期間結算日之公平值並無重大差異。

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with a maturity of three months or less at prevailing market interest rates. At 31 December 2008, the short-term bank deposits included a currency-linked deposit of approximately HK\$2,500,000 where the amounts of interest receivables are linked to the exchange rates of a basket of foreign currencies on maturity date. In the opinion of the directors, the carrying amount of cash and cash equivalents has no material difference from their fair value at the end of the reporting period.

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26. 應付賬款、預提費用及其他應付款

26. TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

		本集團 The Group		本公司 The Company	
		二零零九年 2009	二零零八年 2008	二零零九年 2009	二零零八年 2008
		千港元 HK\$'000	千港元 HK\$'000	千港元 HK\$'000	千港元 HK\$'000
應付賬款	Trade payables	76,625	116,189	-	-
預提開支及其他 應付款項	Accrued expenses and other payables	23,394	25,686	7,297	6,638
收購物業、廠房及 設備之應付款項	Payables for acquisition of property, plant and equipment	13,619	43,759	-	-
按攤銷成本計算 之財務負債	Financial liabilities measured at amortised cost	113,638	185,634	7,297	6,638
預收款項	Receipt in advance	7,811	14,353	-	-
其他應付稅項	Other tax payables	8,836	13,322	-	-
		130,285	213,309	7,297	6,638

應付賬款之賬齡分析如下：

The ageing analysis of trade payables is as follows:

		本集團 The Group	
		二零零九年 2009	二零零八年 2008
		千港元 HK\$'000	千港元 HK\$'000
即期至6個月以下	Current to less than 6 months	64,640	104,530
6個月至1年以內	6 months to less than 1 year	7,491	6,854
1至2年	1 to less than 2 years	3,225	3,329
2年以上	Over 2 years	1,269	1,476
		76,625	116,189

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NOTES TO THE FINANCIAL STATEMENTS

截至二零零九年十二月三十一日止年度 For the year ended 31 December 2009

27. 銀行貸款

於二零零九年十二月三十一日，須償還之銀行貸款如下：

		本集團		本公司	
		The Group		The Company	
		二零零九年	二零零八年	二零零九年	二零零八年
		2009	2008	2009	2008
		千港元	千港元	千港元	千港元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
1年內或按要求	Within 1 year or on demand	108,158	140,123	96,875	22,500
1年後但2年內	After 1 year but within 2 years	116,250	77,500	116,250	77,500
2年後但5年內	After 2 years but within 5 years	19,375	77,500	19,375	77,500
銀行貸款總額	Total bank loans	243,783	295,123	232,500	177,500
就報告目的而作出之分析如下：	Analysis for reporting purposes as:				
流動負債	Current liabilities	108,158	140,123	96,875	22,500
非流動負債	Non-current liabilities	135,625	155,000	135,625	155,000
		243,783	295,123	232,500	177,500

於二零零九年十二月三十一日，銀行借貸之詳情載列如下：

27. BANK BORROWINGS

As at 31 December 2009, the bank borrowings are repayable as follows:

		本集團		本公司	
		The Group		The Company	
		二零零九年	二零零八年	二零零九年	二零零八年
		2009	2008	2009	2008
		千港元	千港元	千港元	千港元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
有抵押	Secured	11,283	140,123	-	22,500
無抵押	Unsecured	232,500	155,000	232,500	155,000
		243,783	295,123	232,500	177,500

As at 31 December 2009, the details of bank borrowings is as follows:

財務報表附註

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截至二零零九年十二月三十一日止年度 For the year ended 31 December 2009

27. 銀行貸款 (續)

附註：

- a) 本集團所有銀行貸款均以美元計值，惟於二零零八年十二月三十一日，銀行貸款約22,500,000港元及108,062,000港元分別以港元及人民幣計值。
- b) 所有銀行貸款均為固定年利率6.5% (二零零八年：介乎1.88%至6.50%) 貸款，惟浮息貸款約88,783,000港元 (二零零八年：零港元) 按當期年利率介乎0.36%至4.43%除外
- c) 除無抵押銀行貸款約232,500,000港元 (二零零八年：155,000,000港元) 外，餘下銀行貸款乃以已抵押銀行存款約零港元 (二零零八年：134,797,000港元) 及應收賬款約12,942,000港元 (二零零八年：10,672,000港元) 作抵押。於二零零九年十二月三十一日，本集團尚未提取之銀行信貸約為29,721,000港元 (二零零八年：90,000,000港元)。
- d) 就截至二零零九年十二月三十一日未償還之賬面總額為約232,500,000港元 (二零零八年：155,000,000港元) 之無抵押銀行貸款而言，本集團須履行若干財務契據 (一般可於與金融機構訂立之貸款安排內找到)。倘本集團違反契約，則已提取之信貸將須按的要求償還。本集團定期監管其對該等契約之合規情況。有關本集團流動資金風險管理之進一步詳情載於附註35(b)。
- e) 董事認為，銀行貸款之賬面值與彼等於申報期間結算日之公平值並無重大差異。
- f) 於申報期間結算日後，本集團於二零一零年二月十二日提早償還長期銀行借貸約77,500,000港元。

27. BANK BORROWINGS (Continued)

Note:

- a) All of the Group's bank borrowings are denominated in United States dollars, except for bank borrowings of approximately HK\$22,500,000 and HK\$108,062,000, which are denominated in HK\$ and RMB respectively as at 31 December 2008.
- b) All bank borrowings are fixed-rate borrowings which carry prevailing interest rates at 6.50% (2008: ranging from 1.88% to 6.50%) per annum, except for variable-rate borrowings of approximately HK\$88,783,000 (2008: HK\$Nil), which are charged at prevailing interest rates ranging from 0.36% to 4.43% per annum.
- c) Except for unsecured bank borrowings of approximately HK\$232,500,000 (2008: HK\$155,000,000), the remaining bank borrowings were secured by the pledged bank deposits of approximately HK\$Nil (2008: HK\$134,797,000) and trade receivables of approximately HK\$12,942,000 (2008: HK\$10,672,000). As at 31 December 2009, the Group has undrawn banking facilities of approximately HK\$29,721,000 (2008: HK\$90,000,000).
- d) In respect of the unsecured bank borrowings with an aggregate carrying amount of approximately HK\$232,500,000 outstanding at 31 December 2009 (2008: HK\$155,000,000), the Group is subject to the fulfillment of certain financial covenants, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the facilities drawn down would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 35(b).
- e) In the opinion of the directors, the carrying amounts of bank borrowings are not significantly different from their fair values at the end of the reporting period.
- f) Subsequent to the end of the reporting period, the Group has early settled long-term bank borrowings of approximately HK\$77,500,000 on 12 February 2010.

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截至二零零九年十二月三十一日止年度 For the year ended 31 December 2009

28. 於綜合財務狀況表之所得稅

- a) 於綜合財務狀況表確認之本期所得稅與年內之變動如下：

28. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

- a) Current income tax recognised in the consolidated statement of financial position and the movement during the year are as follows:

		本集團	
		The Group	
		二零零九年	二零零八年
		2009	2008
		千港元	千港元
		HK\$' 000	HK\$' 000
中國企業所得稅	PRC EIT		
於一月一日	At 1 January	(18,087)	27,622
收購附屬公司 (附註34(a)及(b))	Acquisition of subsidiaries (note 34(a) & (b))	-	9,712
本年度撥備(附註8(a))	Provision for the year (note 8(a))	69,454	55,758
本年度支付之企業所得稅	EIT paid during the year	(49,056)	(111,170)
匯兌差額	Exchange differences	(13)	(9)
於十二月三十一日	At 31 December	2,298	(18,087)
於綜合財務狀況表 確認之可收回所得稅	Income tax recoverable recognised in the consolidated statement of financial position	(16,509)	(27,799)
於綜合財務狀況表 確認之應付所得稅	Income tax payable recognised in the consolidated statement of financial position	18,807	9,712
應付/(可收回)之稅項淨額	Net tax payable/(recoverable)	2,298	(18,087)

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28. 於綜合財務狀況表之所得稅 (續)

b) 已確認之遞延稅項資產及負債

於申報期間結算日及截至該日止年度計提之遞延稅項資產／(負債)之主要組成部份如下：

28. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

b) Deferred tax assets and liabilities recognised

The major components of the deferred tax assets/(liabilities) provided for at the end of the reporting period and for the year then ended are as follows:

持作 自用樓宇 之重估	物業、廠房 及設備之 公平值調整	經營 租約下預付 土地租金之 公平值調整		無形資產之 公平值調整	遞延開支	總值
		Fair value adjustment on prepaid lease payments on land under operating leases	Fair value adjustment on intangible assets			
Revaluation of buildings held for own use	Fair value adjustment on property, plant and equipment	Fair value adjustment on prepaid lease payments on land under operating leases	Fair value adjustment on intangible assets	Deferred expenditure	Total	
千港元 HK\$'000	千港元 HK\$'000	千港元 HK\$'000	千港元 HK\$'000	千港元 HK\$'000	千港元 HK\$'000	千港元 HK\$'000

就下列各項產生之遞延稅項： Deferred tax arising from:

於二零零八年一月一日	At 1 January 2008	-	-	-	-	-
收購附屬公司 (附註34(a)及(b))	Acquisition of subsidiaries (note 34 (a) & (b))	-	(1,312)	15,118	(94,565)	3,354
其他全面收益列支	Charged to other comprehensive income	(10,146)	-	-	-	-
計入收益表 (附註8(a))	Credited to income statement (note 8(a))	-	-	-	-	1,902
匯兌差額	Exchange differences	(314)	-	-	-	58
於二零零八年十二月三十一日 及二零零九年一月一日	At 31 December 2008 and 1 January 2009	(10,460)	(1,312)	15,118	(94,565)	5,314
收益表計入／(列支) (附註8(a))	Credited/(charged) to income statement (note 8(a))	957	95	(313)	7,570	1,486
匯兌差額	Exchange differences	(17)	(2)	24	(144)	10
於二零零九年十二月三十一日	At 31 December 2009	(9,520)	(1,219)	14,829	(87,139)	6,810

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28. 於綜合財務狀況表之所得稅 (續)

b) 已確認之遞延稅項資產及負債 (續)

以下乃就財務報告目的而言之遞延稅項結餘分析：

		二零零九年 2009 千港元 HK\$'000	二零零八年 2008 千港元 HK\$'000
於綜合財務狀況表 確認之遞延稅項資產	Deferred tax assets recognised in the consolidated statement of financial position	21,639	20,432
於綜合財務狀況表 確認之遞延稅項負債	Deferred tax liabilities recognised in the consolidated statement of financial position	(97,878)	(106,337)
		(76,239)	(85,905)

c) 尚未確認之遞延稅項資產

根據附註2(o)所載之會計政策，本集團並無就於二零零九年十二月三十一日之累計稅務虧損約43,236,000港元(二零零八年：12,291,000港元)確認遞延稅項資產，因為於有關稅務司法權區及實體不大可能有可運用之稅務虧損以抵扣未來應課稅溢利。

28. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

b) Deferred tax assets and liabilities recognised (Continued)

The following is the analysis of the deferred tax balances for financial reporting purposes:

c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 2(o), the Group has not recognised deferred tax assets in respect of cumulative tax losses of approximately HK\$43,236,000 (2008: HK\$12,291,000) as at 31 December 2009 as it is not probable that future taxable profits against which the tax losses can be utilised will be available in the relevant tax jurisdiction and entity.

28. 於綜合財務狀況表之所得稅(續)

d) 未確認遞延稅項負債

根據於二零零八年一月一日起生效之中國企業所得稅法，並無於中國成立或設有業務之非駐居企業或於中國成立或設有業務但相關收入並非實際與於中國成立或設有業務相關，則將須就各類被動收入(如源自中國之股息)按10%稅率繳納預扣所得稅。於二零零八年二月二十二日，財政部及國家稅務總局批准財稅(2008)1號，據此，於二零零七年十二月三十一日前自外資企業保留溢利作出之股息分派將獲豁免繳納預扣所得稅。

於二零零九年十二月三十一日，有關附屬公司自二零零八年之未分配溢利之暫時差異約為271,443,000港元(二零零八年：126,163,000港元)。由於本公司能控制該等附屬公司之股息政策，且釐定溢利不大可能於可見將來分派，故尚未就分派該等保留溢利之應付稅項確認遞延稅項負債約27,144,000港元(二零零八年：12,616,000港元)。

28. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

d) Deferred tax liabilities not recognised

Under the EIT Law of the PRC with effect from 1 January 2008 onwards, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in the PRC, will be subject to withholding income tax at the rate of 10% on various types of passive income such as dividends derived from sources in the PRC. On 22 February 2008, the Minister of Finance and State Administration of Tax approved Caishui (2008) No. 1, pursuant to which dividend distributions out of retained profits of foreign investment enterprises prior to 31 December 2007 will be exempted from withholding income tax.

At 31 December 2009, temporary differences relating to the undistributed profits of subsidiaries since 2008 amounted to approximately HK\$271,443,000 (2008: HK\$126,163,000). Deferred tax liabilities of approximately HK\$27,144,000 (2008: HK\$12,616,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

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截至二零零九年十二月三十一日止年度 For the year ended 31 December 2009

29. 股本及儲備

- a) 本集團綜合權益之各項部份於年初及年末之對賬載於綜合權益變動表內。有關本公司權益之個別部份於年初至年末期間之變動詳情，載列如下：

29. SHARE CAPITAL AND RESERVES

- a) The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

		股份溢價 Share premium 千港元 HK\$'000	股息儲備 Dividend reserve 千港元 HK\$'000	保留溢利/ (累計虧損) Retained profits/ (accumulated losses) 千港元 HK\$'000	總值 Total 千港元 HK\$'000
於二零零八年一月一日	At 1 January 2008	1,302,481	56,846	20,994	1,380,321
全面收益	Comprehensive income				
本年度虧損	Loss for the year	-	-	(12,710)	(12,710)
全面收益總值	Total comprehensive income	-	-	(12,710)	(12,710)
與擁有人之交易	Transactions with owners				
預留股息(附註13)	Dividend set aside (note 13)	-	14,211	(14,211)	-
已付二零零七年末期股息	Final dividend paid for 2007	-	(56,846)	-	(56,846)
已付二零零八年中期股息	Interim dividend paid for 2008	-	(14,211)	-	(14,211)
與擁有人之交易總值	Total transactions with owners	-	(56,846)	(14,211)	(71,057)
於二零零八年十二月三十一日 及二零零九年一月一日	At 31 December 2008 and 1 January 2009	1,302,481	-	(5,927)	1,296,554
全面收益	Comprehensive income				
本年度虧損	Loss for the year	-	-	(25,920)	(25,920)
全面收益總值	Total comprehensive income	-	-	(25,920)	(25,920)
與擁有人之交易	Transactions with owners				
透過股份配售發行新股份	Issue of new shares by share placement	182,000	-	-	182,000
發行新股份之交易成本	Transaction costs attributable to issue of new shares	(9,059)	-	-	(9,059)
與擁有人之交易總值	Total transactions with owners	172,941	-	-	172,941
於二零零九年十二月三十一日	At 31 December 2009	1,475,422	-	(31,847)	1,443,575

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29. 股本及儲備 (續)

b) 法定及已發行股本

29. SHARE CAPITAL AND RESERVES (Continued)

b) Authorised and issued share capital

		本集團及本公司 The Group and the Company			
		二零零九年 2009		二零零八年 2008	
		股份數目 No. of shares		股份數目 No. of shares	
		千股 '000	千港元 HK\$'000	千股 '000	千港元 HK\$'000
法定—每股面值0.10港元之普通股	Authorised – Ordinary shares of HK\$0.10 each				
於一月一日及十二月三十一日	At 1 January and 31 December	2,000,000	200,000	2,000,000	200,000
已發行及繳足—每股面值0.10港元之普通股	Issued and fully paid – Ordinary shares of HK\$0.10 each				
於一月一日	At 1 January	1,421,143	142,114	1,421,143	142,114
透過股份配售發行新股份	Issue of new shares by share placement	130,000	13,000	–	–
於十二月三十一日	At 31 December	1,551,143	155,114	1,421,143	142,114

於二零零九年七月二十八日，本公司及YY Holdings與配售代理訂立配售及認購協議，以：(1)按每股1.50港元之價格配售YY Holdings所持有之本公司130,000,000股普通股份（「配售事項」）；及(2)按每股1.50港元之價格由YY Holdings認購本公司130,000,000股新普通股份（「認購事項」）。配售事項及認購事項已於二零零九年八月十一日完成。認購事項之所得款項淨額約為185,941,000港元。

On 28 July 2009, the Company and YY Holdings entered into a placing and subscription agreement with a placing agent for; (1) the placement of 130,000,000 ordinary shares of the Company owned by YY Holdings at a price of HK\$1.50 per share (“the Placing”); and (2) the subscription of 130,000,000 new ordinary shares of the Company by YY Holdings at a price of HK\$1.50 per share (the “Subscription”). The Placing and Subscription were completed on 11 August 2009. The net proceeds from the Subscription amount to approximately HK\$185,941,000.

29. 股本及儲備 (續)

b) 法定及已發行股本 (續)

普通股持有人有權獲得不時宣派之股息及於本公司會議上享有每股一票之投票權。所有普通股對本公司之剩餘資產均享有相等權益。

c) 儲備之性質及目的

i) 股份溢價

根據開曼群島公司法(一九九八年修訂本)，股份溢價賬可供分派予本公司股東，惟於緊隨建議分派股息之日期後，本公司將有能力於日常業務過程中償還其到期債務。

ii) 資本儲備

資本儲備指本集團因應集團重組而已資本化之分配至法定儲備之總額。

iii) 樓宇重估儲備

樓宇重估儲備包括經重估金額(扣除遞延稅項)與持作自用樓宇之賬面值兩者之差額。樓宇重估儲備已予設立並根據附註2(e)所載有關持作自用樓宇之會計政策予以處理。樓宇重估儲備為不可分派。

29. SHARE CAPITAL AND RESERVES (Continued)

b) Authorised and issued share capital (Continued)

The holders of ordinary shares are entitled to receive dividends as declared from time to time and entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

c) Nature and purpose of reserves

i) Share premium

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.

ii) Capital reserve

The capital reserve represents the capitalised aggregate appropriations to the statutory reserves made by the Group as a result of Group reorganisation.

iii) Buildings revaluation reserve

The buildings revaluation reserve comprises the difference between the revalued amount, net of deferred tax, and the carrying amount of buildings held for own use. The buildings revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for buildings held for own use as set out in note 2(e). The buildings revaluation reserve is not distributable.

29. 股本及儲備 (續)

c) 儲備之性質及目的 (續)

iv) 法定儲備

自保留溢利撥至法定儲備乃根據有關之中國規則及規例以及本公司於中國成立之附屬公司之公司章程而作出，並經由各自之董事會批准。

法定儲備可用於彌補過往年度之虧損 (如有) 並可轉換為實繳資本，惟於進行該轉換後之法定儲備結餘不得少於實體註冊資本之25%。

本公司若干於中國之附屬公司須最低限度向法定儲備轉撥按中國會計規則及規例釐定之純利之10%，直至該儲備結餘達至註冊資本之50%為止。作出之轉撥須於向權益擁有人分派股息之前進行。

v) 匯兌儲備

匯兌儲備包括因換算境外經營業務之財務報表而產生之所有匯兌差額。該儲備乃根據附註2(r)所載之會計政策予以處理。

29. SHARE CAPITAL AND RESERVES (Continued)

c) Nature and purpose of reserves (Continued)

iv) Statutory reserves

Transfers from retained profits to statutory reserves were made in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiaries established in the PRC and were approved by the respective boards of directors.

Statutory reserves can be used to make good previous years' losses, if any, and may be converted into paid-up capital provided that the balance of the statutory reserves after such conversion is not less than 25% of the entity's registered capital.

The Company's certain subsidiaries in the PRC are required to transfer a minimum of 10% of their net profits, as determined in accordance with the PRC accounting rules and regulations to the statutory reserves until the reserve balances reaches 50% of the registered capital. The transfer must be made before distribution of dividends to owners.

v) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 2(r).

29. 股本及儲備 (續)

d) 儲備之可供分派情況

於二零零九年十二月三十一日，可供分派予擁有人之本公司儲備總額約為1,443,575,000港元（二零零八年：1,296,554,000港元），其中包括本公司股份溢價約1,475,422,000港元（二零零八年：1,302,481,000港元），減累計虧損約31,847,000港元（二零零八年：5,927,000港元），惟緊隨建議宣派股息之日，本公司必須有能力償還於日常業務中到期的債項，方能作出分派。

e) 資本管理

本集團管理資本之主要目標乃保障本集團持續經營之能力以為股東帶來回報及讓其他股東獲益，並維持優化之資本架構以減少資金成本。

本集團會積極及定期審閱及管理其資金架構，以在盡可能提高股東回報與穩健資本狀況可承受之較高貸款水平之間取得平衡，並因應經濟狀況之變動對資本架構作出調整。為維持或調整資本架構，本集團可透過調整向股東支付之股息金額、發行新股、退還資本予股東或出售資產以減債。

與業界慣例一致，本集團以資產負債比率監控資本架構。該比率以本集團之銀行貸款減現金及現金等值項目除以其權益計算。本集團於二零零九年及二零零八年十二月三十一日並無淨債項。

本公司及其任何附屬公司毋須遵守外界實施之資本規定。

29. SHARE CAPITAL AND RESERVES (Continued)

d) Distributability of reserves

At 31 December 2009, the aggregate amount of the Company's reserves available for distribution to owners was approximately HK\$1,443,575,000 (2008: HK\$1,296,554,000). This includes the Company's share premium of approximately HK\$1,475,422,000 (2008: HK\$1,302,481,000) less accumulated losses of approximately HK\$31,847,000 (2008: HK\$5,927,000) and is available for distribution provided that immediately following the date on which the dividend is proposed, the Company will be able to pay off its debts as they fall due in the ordinary course of business.

e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefit for other shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher stakeholder returns that might be possible with higher levels of borrowings afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders or sell assets to reduce debt.

Consistent with industry practice, the Group monitors its capital structure on the basis of the gearing ratio. This ratio is calculated as the Group's bank borrowings less cash and cash equivalents over its equity. There is no net debts for the Group as at 31 December 2009 and 2008.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

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30. 承擔

- a) 於申報期間結算日，本集團於財務報表內未撥備但已批准及已訂約的資本承擔如下：

30. COMMITMENTS

- a) At the end of the reporting period, the Group had authorised capital commitments contracted but not provided for in the financial statements as follows:

		本集團	
		The Group	
		二零零九年	二零零八年
		2009	2008
		千港元	千港元
		HK\$'000	HK\$'000
物業、廠房及設備 之收購及建築	Acquisition and construction of property, plant and equipment	25,548	57,220
成立合營公司之權益投資	Equity investment in respect of formation of a joint venture company	80,508	–
		106,056	57,220

權益投資指就於中國成立從事研究、開發、生產及銷售螢光粉產品之合營公司之注資。而本集團及合營夥伴將分別於合營公司持有49.9%及50.1%股權。

The equity investment represents the capital contribution in respect of the formation of a joint venture company in the PRC to engage in research, development, production and sale of phosphor products. The Group and the joint venture partner will hold equity interests of the joint venture company of 49.9% and 50.1% respectively.

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30. 承擔 (續)

- b) 於申報期間結算日，根據不可撤銷之土地及樓宇經營租賃於日後所須繳付的最低租金款項承擔如下：

30. COMMITMENTS (Continued)

- b) At the end of the reporting period, operating lease commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings which fall due as follows:

		本集團	
		The Group	
		二零零九年	二零零八年
		2009	2008
		千港元	千港元
		HK\$' 000	HK\$' 000
1年內	Within one year	1,151	1,413
第2至第5年 (包括首尾兩年)	In the second to fifth year inclusive	304	1,415
		1,455	2,828

經營租賃付款指本集團就其若干辦公室及廠房物業應付之租金。租約及租金乃通過磋商釐定，平均為期三年。概無租賃涉及或然租金。

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. None of the leases includes contingent rentals.

31. 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。於終止舊計劃後，並無據此進一步授出購股權，但於所有其他方面，舊計劃之條文仍具效力，而於該終止前授出之所有購股權繼續有效及可據此予以行使。於截至二零零九及二零零八年十二月三十一日止兩個年度，本公司並無授出購股權。

行使價將由本公司董事釐定，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，以及本公司股份面值三項中之最高者。

31. 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. Upon the termination of the Old Scheme, no further share options were granted thereunder, but in all other respects, the provisions of the Old Scheme remained in force and all share options granted prior to such termination continued to be valid and exercisable in accordance therewith. No option has been granted by the Company during the two years ended 31 December 2009 and 2008.

The exercise price is to be determined 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.

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31. 購股權計劃(續)

截至二零零九年十二月三十一日止年度購股權之變動如下：

		根據購股權可予發行之股份數目					
		Number of shares issuable under options					
授出日期	行使期	行使價	於二零零九年				於二零零九年
			一月一日	年內授出	年內行使	年內沒收	十二月三十一日
Date of grant	Exercisable period	Exercise price	尚未行使	Granted	Exercised	Forfeited	Outstanding at
			Outstanding at 1 January 2009	during the year	during the year	during the year	31 December 2009
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					
Employee	23 January 2003	27 January 2003-26 January 2013	1.10	1,500,000	-	-	-
							1,500,000

截至二零零八年十二月三十一日止年度之購股權變動如下：

		根據購股權可予發行之股份數目					
		Number of shares issuable under options					
授出日期	行使期	行使價	於二零零八年				於二零零八年
			一月一日	年內授出	年內行使	年內沒收	十二月三十一日
Date of grant	Exercisable period	Exercise price	尚未行使	Granted	Exercised	Forfeited	Outstanding at
			Outstanding at 1 January 2008	during the year	during the year	during the year	31 December 2008
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					
Employee	23 January 2003	27 January 2003-26 January 2013	1.10	1,500,000	-	-	-
							1,500,000

31. SHARE OPTION SCHEME (Continued)

Movements of share options for the year ended 31 December 2009 are as follows:

Movements of share options for the year ended 31 December 2008 are as follows:

31. 購股權計劃 (續)

於申報期間結算日，根據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(二零零八年：1,500,000股)，佔於該日本公司已發行股份之0.10% (二零零八年：0.11%)。按舊計劃，於任何時候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%。

於二零零九年十二月三十一日尚未行使之購股權之餘下合約年期約為三年(二零零八年：四年)。

32. 關連人士交易

a) 與關連人士之交易

董事認為，年內下列人士屬本集團之重大關連人士：

人士名稱	與本集團之關係
蔣泉龍	本公司執行董事
無錫泛亞環保 科技有限公司 (「無錫泛亞」)	本公司執行董事 蔣泉龍擁有 權益

i) 予蔣泉龍之租金費用

截至二零零九年十二月三十一日止年度，本集團就向本集團提供物業而向蔣泉龍支付之租金費用約為245,000港元(二零零八年：238,000港元)。

ii) 予無錫泛亞之租金費用

截至二零零九年十二月三十一日止年度，本集團就向本集團提供物業而向無錫泛亞支付之租金費用約為60,000港元(二零零八年：58,000港元)。

31. SHARE OPTION SCHEME (Continued)

At the end of the reporting period, the number of shares in respect of which options had been granted and remained outstanding under the Old Scheme was 1,500,000 (2008: 1,500,000), representing approximately 0.10% (2008: 0.11%) 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.

The options outstanding at 31 December 2009 have remaining contractual lives of approximately 3 years (2008: 4 years).

32. RELATED PARTY TRANSACTIONS

a) Transactions with related parties

The directors consider that the following are the significant related parties of the Group during the year:

Name of party	Relationship with the Group
Jiang Quanlong	Executive director of the Company
Wuxi Pan-Asia Environmental Protection Technologies Limited ("Wuxi Pan-Asia")	Jiang Quanlong, an executive director of the Company, has a beneficial interest

i) Rental expenses to Jiang Quanlong

During the year ended 31 December 2009, the Group paid rental expenses of approximately HK\$245,000 (2008: HK\$238,000) to Jiang Quanlong for providing premises to the Group.

ii) Rental expenses to Wuxi Pan-Asia

During the year ended 31 December 2009, the Group paid rental expenses of approximately HK\$60,000 (2008: HK\$58,000) to Wuxi Pan-Asia for providing premises to the Group.

32. 關連人士交易 (續)

a) 與關連人士之交易 (續)

董事認為，上述交易乃於一般業務過程中按正常商業條款訂立或根據規管該等交易之協議訂立，並已獲獨立非執行董事確認。

b) 與主要管理人員之交易

主要管理人員之酬金(包括附註9所披露之支付予本公司董事之金額及附註10所披露之支付予若干最高薪酬人士之金額)如下：

基本薪金、津貼及實物福利 Basic salaries, allowance and benefits-in-kind

退休福利計劃供款 Retirement benefits scheme contributions

本集團	
The Group	
二零零九年	二零零八年
2009	2008
千港元	千港元
HK\$' 000	HK\$' 000
3,847	3,836
54	54
3,901	3,890

c) 與關連人士之結餘

於二零零九年及二零零八年十二月三十一日與關連人士之結餘之詳情載於附註23。

33. 主要非現金交易

a) 截至二零零八年十二月三十一日止年度之在建工程增加包括轉撥自收購物業、廠房及設備之訂金約36,702,000港元。

b) 截至二零零八年十二月三十一日止年度之經營租約下預付土地租金之增加包括轉撥自收購經營租約下土地權益之訂金約55,653,000港元及於綜合財務狀況表確認為預提費用及其他應付款之未清償結餘約1,183,000港元。

32. RELATED PARTY TRANSACTIONS (Continued)

a) Transactions with related parties (Continued)

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 independent non-executive directors.

b) Transactions with key management personnel

Emoluments for key management personnel, including amounts paid to the Company's directors as disclosed in note 9 and certain of the highest paid employees as disclosed in note 10 are as follows:

c) Balances with related parties

Details of the balances with related parties as at 31 December 2009 and 2008 are set out in note 23.

33. MAJOR NON-CASH TRANSACTIONS

a) Additions of construction-in-progress for the year ended 31 December 2008 includes approximately HK\$36,702,000 transferred from deposits for acquisition of property, plant and equipment.

b) Additions of prepaid lease payments on land under operating leases for the year ended 31 December 2008 include approximately HK\$55,653,000 transferred from deposit for acquisition of interests in land under operating leases and approximately HK\$1,183,000 unsettled balance recognised as accruals and other payables in the consolidated statement of financial position.

34. 收購附屬公司

a) 收購東冶稀土

於二零零八年十二月二十九日，本集團透過本公司擁有95%權益之間接附屬公司宜興新威利成稀土有限公司（「新威稀土」）向獨立第三方收購東冶稀土之100%股權，作價為人民幣127,000,000元（相當於約144,007,000港元），以現金支付。東冶稀土於中國從事製造及銷售稀土金屬產品。此項收購乃以購買會計法入賬。

根據買賣協議，代價包括現金代價人民幣100,000,000元（相當於約113,391,000港元）（「東冶現金代價」）及遞延現金代價人民幣27,000,000元（相當於約30,616,000港元）（「東冶遞延現金代價」）。收購東冶稀土一事於二零零八年十二月二十九日完成，而東冶現金代價已於完成後全數支付。東冶遞延現金代價代表於二零零八年十二月三十一日之應付代價，乃與東冶稀土截至二零零八年十二月三十一日止年度之財務表現掛鉤。

東冶遞延現金代價將相當於東冶稀土截至二零零八年十二月三十一日止年度按中國普遍會計準則編製之經審核財務報表中所示除稅後但除非經常性項目前純利之五倍減東冶現金代價。東冶遞延現金代價之最高金額不得超過人民幣40,000,000元（相當於約45,357,000港元）。

東冶遞延現金代價須於刊發東冶稀土截至二零零八年十二月三十一日止年度之中國經審核報告之日期後15日內，以現金透過支票或電匯支付，有關代價已於截至二零零九年十二月三十一日止年度期間償付。

34. ACQUISITION OF SUBSIDIARIES

a) Acquisition of Dongye Rare Earth

On 29 December 2008, the Group acquired 100% equity interest in Dongye Rare Earth through Yixing Xinwei Leeshing Rare Earth Company Limited ("Xinwei Rare Earth"), a 95% indirectly owned subsidiary of the Company, from independent third parties for a consideration of RMB127,000,000 (equivalent to approximately HK\$144,007,000) satisfied by cash. Dongye Rare Earth is engaged in manufacturing and sales of rare earth metal products in the PRC. This acquisition has been accounted for by the purchase method of accounting.

In accordance with the sales and purchase agreement, the consideration comprised a cash consideration of RMB100,000,000 (equivalent to approximately HK\$113,391,000) ("Dongye Cash Consideration") and a deferred cash consideration of RMB27,000,000 (equivalent to approximately HK\$30,616,000) ("Dongye Deferred Cash Consideration"). The acquisition of Dongye Rare Earth was completed on 29 December 2008 with Dongye Cash Consideration being paid in full upon completion. Dongye Deferred Cash Consideration represented the consideration payable as at 31 December 2008 which is associated with financial performance of Dongye Rare Earth for the year ended 31 December 2008.

Dongye Deferred Cash Consideration would be equivalent to 5 times the net profits after taxation and before extraordinary items as shown in the audited financial statements of Dongye Rare Earth for the year ended 31 December 2008 prepared in accordance with the PRC generally accepted accounting principles less Dongye Cash Consideration. The maximum amount of Dongye Deferred Cash Consideration shall not be more than RMB40,000,000 (equivalent to approximately HK\$45,357,000).

Dongye Deferred Cash Consideration is payable in cash by cheque or by telegraphic transfer within 15 days after the date of issue of the PRC audited report of Dongye Rare Earth for the year ended 31 December 2008 and it was settled during the year ended 31 December 2009.

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34. 收購附屬公司 (續)

a) 收購東冶稀土 (續)

就收購東冶稀土取得之資產淨值之詳情概述如下，而所取得無形資產之詳情則載於附註19(c)：

34. ACQUISITION OF SUBSIDIARIES (Continued)

a) Acquisition of Dongye Rare Earth (Continued)

Details of the net assets acquired in respect of the acquisition of Dongye Rare Earth are summarised below and details of intangible assets acquired are set out in note 19(c):

		於緊接收購前 被收購公司之賬面值 Acquiree's carrying amounts immediately before acquisition 千港元 HK\$'000	公平值調整 Fair value adjustments 千港元 HK\$'000	公平值 Fair values 千港元 HK\$'000
物業、廠房及設備	Property, plant and equipment	12,085	2,203	14,288
經營租約下預付土地租金	Prepaid lease payments on land under operating leases	16,101	(9,298)	6,803
無形資產	Intangible assets			
— 稀土金屬產品之 技術專業知識	— Technical know-how for rare earth metal products	756	115,069	115,825
存貨	Inventories	2,268	—	2,268
應收賬款	Trade receivables	47,985	—	47,985
預付款項及按金	Prepayments and deposits	227	—	227
現金及現金等值項目	Cash and cash equivalents	250	—	250
應付賬款	Trade payables	(17,411)	—	(17,411)
預提費用及其他應付款	Accruals and other payables	(17,886)	—	(17,886)
應付稅項	Tax payables	(2,142)	—	(2,142)
遞延稅項資產/(負債)	Deferred tax assets/(liabilities)	776	(26,994)	(26,218)
可識別資產及負債淨額	Net identifiable assets and liabilities	43,009	80,980	123,989
收購時之商譽	Goodwill on acquisition			20,018
代價	Consideration			144,007
總代價以下列方式支付：	Total consideration satisfied by:			
現金	Cash			113,391
遞延應付代價 (於綜合財務狀況表列為 流動負債)	Deferred consideration payable classified under current liabilities in the consolidated statement of financial position			30,616
				144,007
收購產生之現金流出淨額：	Net cash outflow arising on acquisition:			
已付現金代價	Cash consideration paid			113,391
所取得之現金及現金等值項目	Cash and cash equivalents acquired			(250)
				113,141

34. 收購附屬公司(續)

a) 收購東冶稀土(續)

上述附屬公司並無為本集團於截至二零零八年十二月三十一日止年度之業績帶來重大貢獻。

如收購事項已於二零零八年一月一日完成，則本集團於截至二零零八年十二月三十一日止年度之收入總額及虧損將分別約為1,503,132,000港元及157,791,000港元。該備考資料僅供說明之用，未必表示倘收購事項已於二零零八年一月一日完成本集團實際上取得之收入及經營業績，亦不表示對未來業績之預測。

收購東冶稀土產生之商譽乃歸因於該協同效應帶來之預計盈利能力以及垂直整合本集團稀土業務帶來的未來市場發展。東冶稀土具有經驗豐富之管理層、主要人員、市場推廣及技術員工，將有助提升本集團之營運效率。該等因素之利益並無與商譽分開確認，因為該等因素產生之未來經濟利益並不能可靠計量。

b) 收購興華稀土

於二零零八年十二月三十一日，本集團透過新威稀土向獨立第三方收購興華稀土之100%股權，作價為人民幣210,000,000元(相當於約238,122,000港元)，以現金支付。興華稀土於中國從事製造及銷售稀土礦物。此項收購乃以購買會計法入賬。

34. ACQUISITION OF SUBSIDIARIES (Continued)

a) Acquisition of Dongye Rare Earth (Continued)

The above subsidiary had no significant contribution to the Group's result for the year ended 31 December 2008.

If the acquisition had been completed on 1 January 2008, the Group's total revenue and loss for the year ended 31 December 2008 would have been approximately HK\$1,503,132,000 and HK\$157,791,000 respectively. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2008, nor is it intended to be a projection of future results.

The goodwill arising on the acquisition of Dongye Rare Earth is attributable to the anticipated profitability generated from the synergy and future market development from the vertical integration of the Group's rare earth business. Dongye Rare Earth has experienced management, key personnel, marketing and technical staff who will enable efficient operation of the Group. The benefit from these factors are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

b) Acquisition of Xinghua Rare Earth

On 31 December 2008, the Group acquired 100% equity interest in Xinghua Rare Earth, through Xinwei Rare Earth, from independent third parties for a consideration of RMB210,000,000 (equivalent to approximately HK\$238,122,000) satisfied by cash. Xinghua Rare Earth is engaged in manufacturing and sales of rare earth minerals in the PRC. This acquisition has been accounted for by the purchase method of accounting.

34. 收購附屬公司 (續)**b) 收購興華稀土 (續)**

根據買賣協議，代價包括現金代價人民幣135,000,000元（相當於約153,079,000港元）（「興華現金代價」）及遞延現金代價人民幣75,000,000元（相當於約85,043,000港元）（「興華遞延現金代價」）。收購興華稀土一事於二零零八年十二月三十一日完成，而興華現金代價已於完成後全數支付。興華遞延現金代價代表於二零零八年十二月三十一日之應付代價，乃與興華稀土截至二零零八年十二月三十一日止年度之財務表現掛鈎。

興華遞延現金代價將相當於興華稀土截至二零零八年十二月三十一日止年度按中國普遍會計準則編製之經審核財務報表所示除稅後但除非經常性項目前純利之五倍減興華現金代價。興華遞延現金代價之最高金額不得超過人民幣75,000,000元（相當於約85,043,000港元）。

興華遞延現金代價須於刊發興華稀土截至二零零八年十二月三十一日止年度之中國經審核報告之日期後15日內，以現金透過支票或電匯支付，有關代價已於截至二零零九年十二月三十一日止年度期間償付。

就收購興華稀土取得之資產淨值之詳情概述如下，而所取得之無形資產之詳情則載於附註19(a)及19(b)：

34. ACQUISITION OF SUBSIDIARIES (Continued)**b) Acquisition of Xinghua Rare Earth (Continued)**

In accordance with the sales and purchase agreement, the consideration comprised a cash consideration of RMB135,000,000 (equivalent to approximately HK\$153,079,000) ("Xinghua Cash Consideration") and a deferred cash consideration RMB75,000,000 (equivalent to approximately HK\$85,043,000) ("Xinghua Deferred Cash Consideration"). The acquisition of Xinghua Rare Earth was completed on 31 December 2008 with Xinghua Cash Consideration being paid in full upon completion. Xinghua Deferred Cash Consideration represented the consideration payable as at 31 December 2008 which is associated with financial performance of Xinghua Rare Earth for the year ended 31 December 2008.

Xinghua Deferred Cash Consideration would be equivalent to 5 times net profits after taxation and before extraordinary items as shown in the audited financial statements of Xinghua Rare Earth for the year ended 31 December 2008 prepared in accordance with the PRC generally accepted accounting principles, less Xinghua Cash Consideration. The maximum amount of the Xinghua Deferred Cash Consideration shall not be more than RMB75,000,000 (equivalent to approximately HK\$85,043,000).

Xinghua Deferred Cash Consideration is payable in cash by cheque or by telegraphic transfer within 15 days after the date of issue of the PRC audited report of Xinghua Rare Earth for the year ended 31 December 2008 and was settled during the year ended 31 December 2009.

Details of the net assets acquired in respect of the acquisition of Xinghua Rare Earth are summarised below and details of intangible assets acquired are set out in note 19(a) and 19(b):

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34. 收購附屬公司(續)

b) 收購興華稀土(續)

34. ACQUISITION OF SUBSIDIARIES (Continued)

b) Acquisition of Xinghua Rare Earth (Continued)

		於緊接收購前 被收購公司之賬面值 Acquiree's carrying amounts immediately before acquisition 千港元 HK\$'000	公平值調整 Fair value adjustments 千港元 HK\$'000	公平值 Fair values 千港元 HK\$'000
物業、廠房及設備	Property, plant and equipment	25,549	3,046	28,595
經營租約下預付土地租金	Prepaid lease payments on land under operating leases	78,388	(51,174)	27,214
無形資產	Intangible assets			
– 稀土礦物獨家採購權	– Executive right to purchase rare earth minerals	–	201,502	201,502
– 稀土礦物初步分離之技術 專業知識	– Technical know-how for preliminary separation of rare earth minerals	–	61,687	61,687
		–	263,189	263,189
存貨	Inventories	12,879	–	12,879
應收賬款及其他應收款	Trade and other receivables	27,086	–	27,086
預付款項及按金	Prepayments and deposits	15,958	–	15,958
現金及現金等值項目	Cash and cash equivalents	132	–	132
應付賬款	Trade payables	(1,440)	–	(1,440)
預提費用及其他應付款	Accruals and other payables	(142,559)	–	(142,559)
應付稅項	Tax payable	(7,570)	–	(7,570)
遞延稅項資產/(負債)	Deferred tax assets/(liabilities)	2,578	(53,765)	(51,187)
可識別資產及負債淨額	Net identifiable assets and liabilities	11,001	161,296	172,297
收購時之商譽	Goodwill on acquisition			65,825
代價	Consideration			238,122
總代價以下列方式支付：	Total consideration satisfied by:			
現金	Cash			153,079
遞延應付代價 (於綜合財務狀況表列為 流動負債)	Deferred consideration payable classified under current liabilities in the consolidated statement of financial position			85,043
				238,122
收購產生之現金流出淨額：	Net cash outflow arising on acquisition:			
已付現金代價	Cash consideration paid			153,079
所取得之現金及現金等值項目	Cash and cash equivalents acquired			(132)
				152,947

34. 收購附屬公司 (續)

b) 收購興華稀土 (續)

上述附屬公司並無為本集團於截至二零零八年十二月三十一日止年度之業績帶來重大貢獻。

如收購事項已於二零零八年一月一日完成，則本集團於截至二零零八年十二月三十一日止年度之收入總額及虧損將分別約為1,541,621,000港元及173,730,000港元。該備考資料僅供說明之用，未必表示倘收購事項已於二零零八年一月一日完成本集團實際上取得之收入及經營業績，亦不表示對未來業績之預測。

收購興華稀土產生之商譽乃歸因通過規模效益及共享資源、於該協同效應帶來之預計盈利能力，及通過垂直整合本集團上游稀土業務帶來的未來市場發展。興華稀土具有經驗豐富之管理層、主要人員、市場推廣及技術員工，有助提升本集團之營運效率。該等因素之利益並無與商譽分開確認，因為該等因素產生之未來經濟利益並不能可靠計量。

34. ACQUISITION OF SUBSIDIARIES (Continued)

b) Acquisition of Xinghua Rare Earth (Continued)

The above subsidiary had no significant contribution to the Group's result for the year ended 31 December 2008.

If the acquisition had been completed on 1 January 2008, the Group's total revenue and loss for the year ended 31 December 2008 would have been approximately HK\$1,541,621,000 and HK\$173,730,000 respectively. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2008, nor is it intended to be a projection of future results.

The goodwill arising on the acquisition of Xinghua Rare Earth is attributable to the anticipated profitability generated from the synergy through economies of scale and sharing of resources, and future market development through the vertical integration of the Group's upstream rare earth business. Xinghua Rare Earth has experienced management, key personnel, marketing and technical staff who will enable efficient operation of the Group. The benefit from these factors are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

35. 財務風險管理目標及政策

本集團之主要金融工具包括現金及現金等值項目、已抵押銀行存款、受限制銀行結餘、應收賬款及其他應收款、應付賬款及其他應付款以及銀行貸款。金融工具之詳情披露於各附註。該等金融工具之風險包括本集團在日常業務過程中產生之信貸風險、流動資金風險、利率風險及貨幣風險。

a) 信貸風險

- i) 於二零零九年十二月三十一日，最大信貸風險為綜合財務狀況表各金融資產經扣除任何減值撥備後之賬面值。
- ii) 為盡量減低風險之應收賬款及其他應收款，管理層已訂立一項信貸政策，並對有關信貸風險進行持續監察。本集團會定期對各主要客戶之財務狀況及條件進行信貸評估。該等評估針對客戶過往支付到期款項之歷史及目前之支付能力，並考慮客戶特定資料及客戶經營所處經濟環境之資料。本集團並無就其金融資產要求任何抵押品。債務一般自開單日期起180日內到期。

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include cash and cash equivalents, pledged bank deposits, restricted bank balances, trade and other receivables, trade and other payables and bank borrowings. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include credit risk, liquidity risk, interest rate risk and currency risk arises in the normal course of the Group's business.

a) Credit risk

- i) As at 31 December 2009, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance.
- ii) In respect of trade and other receivables, in order to minimise risk, the management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations of its customers' financial position and condition is performed on each major customer periodically. These evaluations focus on the customers' past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. The Group does not require collateral in respect of its financial assets. Debts are usually due within 180 days from the date of billing.

35. 財務風險管理目標及政策 (續)

a) 信貸風險 (續)

ii) (續)

本集團須承受之信貸風險主要受各名客戶之個別特點所影響。客戶所經營行業及國家之拖欠風險亦會對信貸風險有所影響，但程度較低。於申報期間結算日，本集團承受來自其最大客戶及五大客戶應收賬款總額之若干集中信貸風險分別為11.54% (二零零八年：11.31%)及37.15% (二零零八年：39.11%)。

有關本集團來自應收賬款及其他應收款之信貸風險之量化披露載於附註22。

iii) 現金乃存放於集團公司經營所在地具高信貸評級之金融機構，本集團就任何單一金融機構所承擔之風險有限。鑑於彼等具有高信貸評級，管理層並不預期任何該等金融機構無法履行其責任。

b) 流動資金風險

本集團旗下之獨立營運實體須負責其各自之現金管理，包括現金盈餘之短期投資及籌措貸款以滿足預期現金需求，惟須獲董事會批准後，方可作實。本集團之政策為定期監察當前及預計之流動資金需求，以及遵守貸款契諾，確保本集團能維持充裕的現金及從主要金融機構取得足夠的承諾信貸融資，以滿足其短期及長期流動資金需要。本集團依賴銀行貸款作為流動資金來源。

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

a) Credit risk (Continued)

ii) (Continued)

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the end of the reporting period, the Group has a certain concentration of credit risk as 11.54% (2008: 11.31%) and 37.15% (2008: 39.11%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 22.

iii) Cash is deposited with financial institutions with high credit ratings that are located where the group companies are operated and the Group has exposure limit to any single financial institution. Given their high credit ratings, management does not expect any of these financial institutions will fail to meet their obligations.

b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to board approval. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient amount of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The Group relies on bank borrowings as a source of liquidity.

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35. 財務風險管理目標及政策 (續)

b) 流動資金風險 (續)

以下流動資金表載列本集團及本公司之金融負債於申報期間結算日，基於合約未折現現金流(包括使用合約利率計得之利息付款或，如按浮息，則按申報期間結算日當日之利率計)及本集團須予償還之最早日期所得之餘下合約期：

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

b) Liquidity risk (Continued)

The following liquidity table set out the remaining contractual maturities at the end of the reporting period of the Group's and the Company's financial liabilities based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group and the Company is required to pay:

		二零零九年 2009					二零零八年 2008				
		一年內或 按要求償還	一年以上 兩年以內	兩年以上 五年以內	合約未折現 現金流量總額	賬面值	一年內或 按要求償還	一年以上 兩年以內	兩年以上 五年以內	合約未折現 現金流量總額	賬面值
		More than Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total undiscounted cash flow	Carrying amount	More than Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total undiscounted cash flow	Carrying amount
		千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元
		HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000
本集團	The Group										
應付賬款	Trade payables	76,625	-	-	76,625	76,625	116,189	-	-	116,189	116,189
預提開支及 其他應付款	Accrued expenses and other payables	37,013	-	-	37,013	37,013	69,445	-	-	69,445	69,445
應付董事款項	Amounts due to directors	709	-	-	709	709	667	-	-	667	667
銀行貸款	Bank borrowings	117,545	119,359	19,409	256,313	243,783	152,210	84,635	79,598	316,443	295,123
收購附屬公司之 遞延應付代價	Deferred consideration payables for acquisition of subsidiaries	-	-	-	-	-	115,659	-	-	115,659	115,659
		231,892	119,359	19,409	370,660	358,130	454,170	84,635	79,598	618,403	597,083
本公司	The Company										
預提開支及 其他應付款	Accrued expenses and other payables	7,297	-	-	7,297	7,297	6,638	-	-	6,638	6,638
應付附屬公司款項	Amounts due to subsidiaries	255	-	-	255	255	255	-	-	255	255
應付董事款項	Amounts due to directors	875	-	-	875	875	753	-	-	753	753
銀行貸款	Bank borrowings	106,246	119,359	19,409	245,014	232,500	32,605	84,635	79,598	196,838	177,500
		114,673	119,359	19,409	253,441	240,927	40,251	84,635	79,598	204,484	185,146

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35. 財務風險管理目標及政策(續)

c) 利率風險

本集團及本公司須承受有關以浮動利率計算的現金及現金等值項目、已抵押銀行存款、受限制銀行結餘及銀行貸款的現金流利率風險。

i) 利率組合

下表詳細載列本集團及本公司的銀行貸款於申報期間結算日的利率組合：

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

c) Interest rate risk

The Group and the Company are exposed to cash flow interest rate risk in relation to cash and cash equivalents, pledged bank deposits, restricted bank balances and bank borrowings at floating interest rate.

i) Interest rate profile

The following table details the interest rate profile of the Group's and the Company's bank borrowings at the end of the reporting period:

		本集團 The Group				本公司 The Company			
		二零零九年 2009		二零零八年 2008		二零零九年 2009		二零零八年 2008	
		實際利率 Effective interest rate		實際利率 Effective interest rate		實際利率 Effective interest rate		實際利率 Effective interest rate	
		%	千港元	%	千港元	%	千港元	%	千港元
		%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000
固定利率貸款	Fixed rate borrowings	6.50	155,000	1.88-6.50	295,123	6.50	155,000	1.88-6.50	177,500
浮動利率貸款	Variable-rate borrowings	0.36-4.43	88,783	不適用N/A	-	3.26-4.43	77,500	不適用N/A	-
銀行貸款總額	Total bank borrowings		243,783		295,123		232,500		177,500
固定利率貸款 佔貸款總額的 百分比	Fixed rate borrowings as a percentage of total borrowings		64%		100%		67%		100%

35. 財務風險管理目標及政策 (續)

c) 利率風險 (續)

ii) 敏感度分析

屬於固定利率工具的本集團所有已抵押銀行存款、受限制銀行結餘及銀行貸款對任何利率變動不敏感。於申報期間結算日的利率變動不會影響損益。

於二零零九年十二月三十一日，在所有其他變量保持不變的情況下，估計利率整體上升或下降50個基點將減少或增加本集團本年度溢利約3,807,000港元（二零零八年：虧損增加或減少約3,070,000港元）。利率整體上升或下降對綜合權益的其他部份並無影響。

上述敏感度分析乃假設利率於申報期間結算日產生變動而釐定，並應用於該日的非衍生金融工具的利率風險。50個基點的上升或下降為管理層對直至下一個申報期間結算日止期間內利率的合理可能變動的評估。二零零八年已以相同基準作出分析。

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

c) Interest rate risk (Continued)

ii) Sensitivity analysis

All of the pledged bank deposits, restricted bank balances and bank borrowings of the Group which are fixed rate instruments are insensitive to any change in interest rates. A change in interest rates at the end of the reporting period would not affect profit or loss.

At 31 December 2009, it is estimated that a general increase or decrease of 50 basis points in interest rates, with all other variables held constant, would decrease or increase the Group's profit for the year by approximately HK\$3,807,000 (2008: increase or decrease loss for the year by approximately HK\$3,070,000). Other components of consolidated equity would not change in response to the general increase or decrease in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 50 basis points increase or decrease represents management's assessment of reasonably possible changes in interest rates over the period until the end of the next reporting period. The analysis is performed on the same basis for 2008.

35. 財務風險管理目標及政策 (續)

d) 貨幣風險

本集團主要因以與有關實體的功能貨幣以外的貨幣進行買賣而面對貨幣風險。

i) 所承擔之貨幣風險

下表詳列本集團就來自以與實體有關之功能貨幣以外貨幣計值之已確認資產或負債所承受貨幣風險。

本集團

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the entity to which they relate.

i) Exposure to currency risk

The following table details the Group's exposure to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

The Group

所承擔之貨幣風險 (以千港元列值)

Exposure to currency risk (expressed in HK\$'000)

		二零零九年		二零零八年	
		2009		2008	
		美元	港元	美元	港元
		United States Dollars	Hong Kong Dollars	United States Dollars	Hong Kong Dollars
應收賬款及 其他應收款	Trade and other receivables	53,311	-	55,926	-
現金及現金 等值項目	Cash and cash equivalents	115,024	100	149,558	90
應付賬款及 其他應付款	Trade and other payables	(3,344)	-	(12,675)	-
銀行借貸	Bank borrowings	(243,783)	-	(164,561)	-
所承受整體 貨幣風險	Overall exposure to currency risk	(78,792)	100	28,248	90

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NOTES TO THE FINANCIAL STATEMENTS

截至二零零九年十二月三十一日止年度 For the year ended 31 December 2009

35. 財務風險管理目標及政策 (續)

d) 貨幣風險 (續)

i) 所承擔之貨幣風險 (續)

本公司

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

d) Currency risk (Continued)

i) Exposure to currency risk (Continued)

The Company

		所承擔之貨幣風險 (以千港元列值)	
		Exposure to currency risk (expressed in HK\$'000)	
		二零零九年	二零零八年
		2009	2008
		美元	美元
		United States	United States
		Dollars	Dollars
應收賬款及其他應收款	Trade and other receivables	67	–
現金及現金等值項目	Cash and cash equivalents	111,267	148,225
預提開支及其他應付款	Accrued expenses and other payables	(586)	–
銀行借貸	Bank borrowings	(232,500)	(155,000)
所承受整體貨幣風險	Overall exposure to currency risk	(121,752)	(6,775)

本集團現時並無就外幣負債採取外幣對沖政策。本集團將密切監察外幣風險，並將在有需要時考慮對沖重大貨幣風險。

The Group currently does not have a foreign currency hedging policy in respect its of foreign currency debts. The Group will monitor its foreign currency exposure closely and will consider hedging significant currency exposure should the need arises.

35. 財務風險管理目標及政策 (續)

d) 貨幣風險 (續)

ii) 敏感度分析

下表說明本集團於申報期間結算日就匯率可能合理之變動對本集團除稅後溢利／(虧損)及保留溢利之概約變動。

本集團

		二零零九年 2009		二零零八年 2008	
		增加／(減少)		增加／(減少)	
		Increase/ (decrease) in		Increase/ (decrease) in	
		profit after		taxation and	
		taxation		(increase)/	
		and retained		decrease in	
		profits		retained	
		千港元		千港元	
		HK\$' 000		HK\$' 000	
美元	United States Dollars	5%	(3,940)	5%	1,412
		(5)%	3,940	(5)%	(1,412)
港元	Hong Kong Dollars	5%	(5)	5%	4
		(5)%	5	(5)%	(4)

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

d) Currency risk (Continued)

ii) Sensitivity analysis

The following table indicates the approximate change in the Group's profit/(loss) after tax and retained profits in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of the reporting period.

The Group

		二零零九年 2009		二零零八年 2008	
		增加／(減少)		增加／(減少)	
		Increase/ (decrease) in		Increase/ (decrease) in	
		profit after		taxation and	
		taxation		(increase)/	
		and retained		decrease in	
		profits		retained	
		千港元		千港元	
		HK\$' 000		HK\$' 000	
美元	United States Dollars	5%	(3,940)	5%	1,412
		(5)%	3,940	(5)%	(1,412)
港元	Hong Kong Dollars	5%	(5)	5%	4
		(5)%	5	(5)%	(4)

35. 財務風險管理目標及政策 (續)

d) 貨幣風險 (續)

ii) 敏感度分析 (續)

本公司

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

d) Currency risk (Continued)

ii) Sensitivity analysis (Continued)

The Company

		二零零九年 2009		二零零八年 2008	
		除稅後虧損及 外幣匯率 累計虧損之 增加/(減少) 增加/(減少)		除稅後虧損及 外幣匯率 累計虧損之 增加/(減少) 增加/(減少)	
		Increase/ Increase/ (decrease) in loss after in foreign taxation and exchange accumulated rates losses 千港元 HK\$'000		Increase/ (decrease) in loss after in foreign taxation and exchange accumulated rates losses 千港元 HK\$'000	
美元	United States Dollars	5% (5)%	6,088 (6,088)	5% (5)%	339 (339)

上述敏感度分析乃假設匯率變動於申報期間結算日已發生並應用於本集團於該日承擔之金融工具貨幣風險而釐訂，而所有其他變數，尤其是利率，維持不變。上表呈列之分析結果代表對本集團實體除稅後溢利之整體結果。上述變動即管理層評估匯率於截至下一個申報期間結算日止期間之合理潛在變動。有關分析按與二零零八年相同之基準進行。

The sensitivity analysis above has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to the Group's exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the Group entities' profits after taxation. The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the end of the next reporting period. The analysis is performed on the same basis for 2008.

財務報表附註

NOTES TO THE FINANCIAL STATEMENTS

截至二零零九年十二月三十一日止年度 For the year ended 31 December 2009

35. 財務風險管理目標及政策(續)

e) 公平值

重大金融資產及負債的公平值與其於二零零九年及二零零八年十二月三十一日的賬面值相若。

i) 現金及現金等值項目、應收賬款及其他應收款、應付賬款及其他應付款

由於該等項目於短期內到期，故此其賬面值與其公平值相若。

ii) 銀行貸款

根據條款及到期日相若的銀行貸款現行貸款利率計算，銀行貸款的賬面值與其公平值相若。

36. 比較數字

若干比較數字已予重新分類，以符合本年度財務報表之呈列方式。

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

e) Fair value

The carrying amounts of significant financial assets and liabilities approximate their respective fair values as at 31 December 2009 and 2008.

i) Cash and cash equivalents, trade and other receivables, trade and other payables

The carrying values approximate their fair values because of the short maturity of these items.

ii) Bank borrowings

The carrying amount of bank borrowings approximates their fair value based on the borrowing rates currently available for bank borrowings with similar terms and maturities.

36. COMPARATIVE FIGURES

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

財務概要

FINANCIAL SUMMARY

		截至十二月三十一日止年度 For the year ended 31 December				
		二零零九年 2009 千港元 HK\$'000	二零零八年 2008 千港元 HK\$'000	二零零七年 2007 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
營業額	Turnover	1,211,683	1,364,890	1,385,345	1,031,082	769,370
銷售成本	Cost of sales	(980,246)	(1,015,603)	(931,232)	(732,577)	(565,407)
毛利	Gross profit	231,437	349,287	454,113	298,505	203,963
除稅前溢利／ (虧損)	Profit/(loss) before taxation	144,342	(118,551)	396,134	274,075	171,646
所得稅	Income tax	(59,659)	(53,856)	(97,054)	(62,384)	(40,021)
本年度溢利／ (虧損)	Profit/(loss) for the year	84,683	(172,407)	299,080	211,691	131,625
應佔：	Attributable to:					
本公司擁有人	Owners of the Company	84,593	(170,972)	295,045	209,255	130,207
少數股東權益	Minority interests	90	(1,435)	4,035	2,436	1,418
		84,683	(172,407)	299,080	211,691	131,625
		於十二月三十一日 As at 31 December				
		二零零九年 2009 千港元 HK\$'000	二零零八年 2008 千港元 HK\$'000	二零零七年 2007 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
流動資產	Current assets	1,866,841	1,713,801	1,536,144	1,384,641	765,202
非流動資產	Non-current assets	1,372,740	1,500,535	1,262,120	1,080,770	828,762
資產總值	Total assets	3,239,581	3,214,336	2,798,264	2,465,411	1,593,964
流動負債	Current liabilities	257,959	479,470	248,340	227,454	145,249
非流動負債	Non-current liabilities	233,503	261,337	0	0	0
負債總值	Total liabilities	491,462	740,807	248,340	227,454	145,249
資產淨值	Net assets	2,748,119	2,473,529	2,549,924	2,237,957	1,448,715
股本	Share capital	155,114	142,114	142,114	142,114	98,695
儲備	Reserves	2,563,706	2,302,253	2,379,578	2,074,519	1,331,132
本公司擁有人 應佔權益	Equity attributable to owners of the Company	2,718,820	2,444,367	2,521,692	2,216,633	1,429,827
少數股東權益	Minority interests	29,299	29,162	28,232	21,324	18,888
權益總值	Total equity	2,748,119	2,473,529	2,549,924	2,237,957	1,448,715





中國稀土控股有限公司
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