

# 主席報告書

## Chairman's Statement

致各位股東，

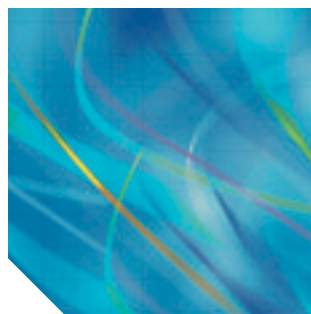
本人謹代表董事會向各位股東提呈中國稀土控股有限公司截至二零零一年十二月三十一日止之全年業績報告。本集團由開業至今，一直奉行務實的經營方針，進行嚴密管理並努力增收節支，致令業績在去年嚴峻的經營環境下，仍能屹立不倒。

回顧二零零一年，對本集團來說是憂慮與商機並存的一年。由於外圍經濟不景，市場波動，本集團產品受到減價壓力，營業額雖有所增長，但盈利水平只能與二零零零年基本持平。另一方面，隨著本集團的生產線技改擴能工程的完成，以第一流水平的精

To all shareholders,

On behalf of the Board of Directors, I am pleased to present the annual report of China Rare Earth Holdings Limited for the year ended 31 December 2001. Since its establishment, the Group has been able to reduce costs and maximize profits through adopting pragmatic operation strategies and employing strict management control. That gives explanation to the maintained satisfactory results during the harsh economic environment last year.

2001 was a year filled with threats as well as opportunities. Poor external market sentiment and fluctuations had imposed a pressure on the Group to cut the prices of its products. As a result, despite there was growth in turnover, the Group's profit can only be maintained at the level attained in 2000. On the other hand, with the expansion of its rare earth separating production line incorporated with top separating techniques and a superb circulation system, the Group was able to effectively increase



蔣泉龍 - 集團主席

Jiang Quanlong-Chairman

湛分離技術和工藝，以高回收率、低消耗及循環系統等出色的工藝管理帶來規模效益，提升產品質素，市場佔有率正逐漸擴大，穩固了本集團的盈利能力，而於年末與原料供應商的合作亦穩定了本集團原材料的供應及價格，令本集團充份發揮資源優勢，在堅實的基礎下更能承受市場變化的影響。

## 財務業績

截至二零零一年十二月三十一日止財政年度，本集團錄得營業額617,808,000港元，較去年同期558,231,000港元增長11%。增長主要來自產能擴大而銷售量增加。當中稀土產品及耐火材料產品之銷售額分別達374,661,000港元及243,147,000港元。股東應佔溢利為142,214,000港元。每股基本盈利為19.1港仙。於回顧期內，本集團仍處於稅務優惠期而豁免了中國企業所得稅，淨利潤與二零零零年基本持平。

## 派息

董事會建議派發本年度之末期股息每股2港仙。連同二零零一年十月派發之中期股息每股2港仙，累計全年每股股息共4港仙。倘股東於二零零二年五月三十一日舉行的股東週年大會中通過有關動議，末期股息將於二零零二年六月十二日或以前派發予登記股東。

recycle rate and reduce consumption rate of resources, achieving economies of scale and higher product quality. All these facilities and technologies have further stabilized the Group's profitability and broadened its market share. Additionally, the strategic alliance formed with a raw material supplier by the end of 2001 will help to stabilize both the supply as well as the price of raw materials. The strengthened resources position will enable the Group to withstand the adverse impact of the fluctuating market condition.

## FINANCIAL RESULTS

For the year ended 31 December 2001, the Group recorded a turnover of HK\$617,808,000, representing 11% growth against HK\$558,231,000 recorded last year. The growth was mainly attributable to the increased sales volume brought about by the improved production capacity. The sales of rare earth products and refractory products amounted to

HK\$374,661,000 and HK\$243,147,000 respectively. The Group recorded the profit attributable to shareholders of HK\$142,214,000. Basic earnings per share was HK19.1 cents. During the year, the Group was still enjoying tax relief with the PRC enterprise income tax waived. Net profit leveled 2000's figure.

## DIVIDENDS

The Board has resolved to recommend the payment of a final dividend of HK2 cents per share for the year ended 31 December 2001. Together with the interim dividend of HK2 cents per share paid in October 2001, total dividends for the year will amount to HK4 cents per share. Subject to the approval of shareholders at the forthcoming Annual General Meeting to be held on 31 May 2002, the final dividend will be paid on or before 12 June 2002 to registered shareholders.

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本公司將於二零零二年五月二十八日至二零零二年五月三十一日，包括首尾兩天，暫停辦理股份過戶登記手續，期間將不會進行任何股份之過戶登記。如欲獲得建議之末期股息及出席本公司的股東週年大會，所有股份之過戶文件連同有關之股票須於二零零二年五月二十七日下午四時前送達本公司股份過戶處香港分處香港中央證券登記有限公司。

## 業務回顧

### 稀土

稀土的應用範圍廣泛，由玻璃製造、鋼鐵冶金及石油化工等傳統工業，至航天科技、微特功能材料及精密光學儀器等高新科技，無不使用稀土。而我們日常生活中經常接觸的電腦、電視機、手提電話及汽車等產品，亦以稀土作為重要的添加材料。稀土的應用領域仍在不斷拓展，更多新型材料正在進行深入的研究開發，稀土市場仍有極大的發展空間。

經過兩次稀土分離生產線的改造擴建工程後，現時本集團的稀土產品生產能力已較一九九九年初次招股上市時大幅提高，年產能力高達6,500噸(REO)以上。南方離子稀土礦分離線於去年年中落成，佔地26,500平方米，更採用了最先進的在線控制技術及分離工藝，使產品檔次進一步提升，由質至量均晉身全國第一流水

The Register of Members of the Company will be closed from 28 May 2002 to 31 May 2002, both days inclusive. During the period no transfer of shares will be registered. In order to be qualified for entitlement to the proposed final dividend and for attending the Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Central Registration Hong Kong Limited, for registration not later than 4:00pm on 27 May 2002.

## BUSINESS REVIEW

### Rare Earth

Rare earth products have been widely employed in different industries, from traditional industries such as glass, steel metallurgy and petroleum, to hi-tech industries such as aeronautic technology, materials for the production of mini-size products and precision optics. Moreover, many of these are increasingly being used as value-added

materials of popular consumer electronic products such as computers, television sets, mobile phones and automobiles. The phenomenal expansion of applications of rare earth products and active research and development of new products in recent years have provided tremendous opportunities for the Group's further development.

The annual production capacities of rare earth separating lines increased significantly to 6,500 tonnes (REO) as a result of the completion of two expansion projects of rare earth production facilities since the initial public offer of the Group's shares in 1999. Installed with advanced controlling systems and state-of-the-art separation technology, the 26,500 sq. meter newly established rare earth separating line for ionic ore enables the Group to produce products that lead the PRC market in both quality and quantity. Together with the separating line for rare earth

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平。聯同於二零零零年中投產的北方氯化稀土分離線，本集團在稀土行業內已處於領導地位。

在過去一年，全球經濟放緩，資訊科技產業降溫，對稀土行業亦帶來一定的影響。而部份稀土產品供過於求導致業內的壓價競爭，部份國內的競爭對手更因而暫停生產。由於本集團的產品質量較優勝，加上長期穩定的客戶群支持，在此艱苦時期仍能如常經營。在訂單充裕而生產力大幅提高的情況下，本集團於二零零一年售出之稀土產品數量超逾5,900噸(REO)，與二零零零年比較增幅超逾40%。但在售價方面免不了因競爭而有所回落，如氧化釹及氧化鐳於二零零一年之平均售價較之於二零零零年分別下調了約17%及30%，熒光粉的平均售價亦有所下降。但亦有個別產品的售價仍有上漲，如氧化鐳之平均售價較之於二零零零年便上升了約14%。由於售價大體下調抵銷了銷售量提高的因素，回顧期間本集團稀土業務的營業額只能基本持平。

產品市場方面，在積極開拓下，歐洲市場的業務比重有了明顯上升，減低了美國與日本市場的比重，亦減輕了美國『911』遇襲事件與日本經濟持續低迷的影響。中國經濟的增長亦使中國內地的業務比重有所上升。

由於中國擁有約佔全球八成的稀土礦儲存量，中國政府非常重視稀土這一資源優勢產業，對

chloride established in mid-2000, the Group has established its leading position in the industry.

As more and more components in electronic and communications products are applying rare earth, the impact of the global economic slowdown, which has cooled down the information technology sector, has also been affecting the rare earth industry. The over supply of rare earth products has led to severe price competition in the industry. Some competitors in the PRC even had to cease their production. As the quality of the Group's products are comparatively ahead of others and supported by a well-established customer base, the Group is able to withstand the harsh time. With enlarged production capacity and immense orders, the Group sold over 5,900 tonnes (REO) of rare earth products in 2001, which is 40% higher than that in 2000. However, due to keen competition, price cuts were inevitable, for instance, the average price of Neodymium Oxide and Dysprosium Oxide dropped by 17% and 30%, respectively and the average selling price of fluorescent powder also decreased from that in 2000. Certain products, however, recorded an increase in price. The price of Lanthanum Oxide stepped up by 14% as compared with its price in 2000. As the negative effects brought by the price drop offset the increase in sales volume, the turnover of rare earth products

business could only remain at about the same level as that in the previous year.

In terms of export market, proportion of sales to Europe market increased due to the relentless efforts and which leads to the drop of the proportion of sales to the US and Japan markets. As such, the adverse impact resulting from the September 11 terrorist attacks as well as the sustained economic slowdown in Japan was lightened. The proportion of sales to the PRC market, on the other hand, was enhanced by the growing economy of the Mainland.

As China holds approximately 80% of the world's rare earth reserves, the Chinese government has always been paying special attention to the industry. In the wake of complaint against the market being flooded with low price but horrendous quality products, the government has introduced different remedial measures including imposing restrictions on ores extraction and issuance of export licenses. Furthermore, the government is actively seeking to adjust the demand-supply position of rare earth products by considering the consolidation of the whole industry and organization of management alliance. The Group has been actively involved and has made suggestions to this end.

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於劣質產品以低價充斥市場深感不滿，相繼推出資源開採保護措施及出口許可証的限制後，為調節市場供求，現正研究整個行業的宏觀整合及組織稀土集團公司作管理，本集團亦積極參與及提出了意見。儘管國內整個稀土行業的結構錯綜複雜，但在各級政府官員的指導協調下，希望有關方案能早日定案，使此一優勢產業有更健康的發展。在此之前，本集團已率先於去年年底與國內另一家於稀土行業同處於領導地位，但側重於稀土精礦提煉的國營企業訂立了合作關係，一方面冀能穩定市場價格，平衡供求關係；同時亦保障了本集團的原材料供應，提升了彼此在稀土行業的競爭實力。

### 耐火材料

耐火材料為本集團的另一主要產品。目前，本集團的耐火材料年生產能力為50,000噸。

於二零零零年中完成的耐火材料擴產工程的效益已於回顧期內得到反映。二零零一年本集團售出的耐火材料約達45,000噸，比二零零零年上升約40%。其中可應用於玻璃行業與鋼鐵行業的電鍍鎂磚系列仍然是銷售量最高的產品，全年銷售數目超逾達8,000噸。本集團對所生產的耐火材料產品要求嚴格，為保持產品質量的頂級水平，本集團不斷引入新技術，並聘用專才及與全球耐火材料行業最頂尖的廠家全面合作，以改良及研製產品，令本集團成為不少國內廠家及外資企業的耐火材料重要供應商。售價方面，在經濟低迷的環境下，耐火材料的售價大體上仍能保持平穩。二零零一年本集團耐火材料業務的營業額較二零零零年增長了約30%，對稀土產業的不景氣發揮了補足作用，成為去年業務增長的支柱。

出口市場方面，由於去年加強了與日本客戶的全面合作關係，出口額達至全年耐火材料營業額的16%。除了日本以外，在回顧期間本集團

Although the structure of the rare earth industry was very complicated in China, the industry is looking forward to the consolidation of policies favoring its healthy development with the guidance of government officials at different levels. Prior to it, the Group formed a strategic alliance with a state-owned enterprise, which is also a leading rare earth supplier in China specialising in the extraction of rare earth refined ore, by the end of 2001. The strategic alliance does not only help stabilize the price and the demand-supply position, but also secures the supply of raw materials to the Group, which will enhance the competitiveness of both parties.

### Refractory Materials

Refractory product is another major product line of the Group. Currently, the Group's annual production capacity of refractory products reaches 50,000 tonnes.

The expansion projects on the production capacity of refractory products, which were completed in mid-2000, have started to bear fruit. In 2001, the Group sold about 45,000 tonnes of refractory products, up 40% against that in the previous year. Among all, fused rebonding magnesium bricks series, a type of materials that are widely applied in both glass and steel industries, was still the top-sales refractory product of the

Group. It recorded the sales volume of over 8,000 tonnes in the year. The Group implements strict quality control on its refractory products. To ensure the achievement of top quality levels, the Group has persisted in adopting the latest techniques and employing eminent professionals. Meanwhile, the Group cooperated with a prominent manufacturer from the world's refractory product industry to further improve and develop new products. Its aim is to position itself as the major supplier of refractory products in the PRC that cater for the needs of domestic and foreign enterprises. The price for refractory products was quite stable in spite of the poor economic conditions. The Group recorded a growth of 30% in turnover as compared to that of 2000, compensating the negative impact of the slowdown in the rare earth industry. The production and sales of refractory products have become a crucial pillar for the growth of the Group's business in the previous year.

In export terms, the Group cooperated closely with Japanese clients and an annual export accounted for about 16% of the Group's sales of refractory products. During the year, the Group's refractory products started penetrating the Europe market but the amount only accounted for less than 1% of the total sales.

的耐火材料已開始登陸歐洲等地，雖然比例不足1%，但正逐步實現出口比例由10%增長至50%的目標。

### 僱員及薪酬政策

企業要進步關鍵在人才。本集團深明專業人才是改進和提升企業核心競爭力的關鍵，本集團主張引進及培育包括管理、科研及生產各方面的專業人士。現時，本集團員工總數約超過1,200人，透過定期的員工培訓學習計劃及逐步引入高技術、高學歷及高學術水平的人士，令整體質素逐步提升，加強人力資源實力。

回顧期內，僱員成本扣除董事酬金後合計約為15,165,000港元。本集團為員工提供了完善之薪酬及福利制度，另外，本集團亦推行了認股權計劃作為僱員福利之一，然而，於期內並無授出任何認股權。

### 所得款項用途

本集團於二零零零年十一月配售了70,000,000股新股而籌集得的款項約72,000,000港元，已全數被投資於二零零一年六月正式投產之南方離子礦稀土分離生產線上。

二零零一年七月，本集團配售了105,200,000股新股而籌集了約254,500,000港元。截至二零零一年十二月三十一日，本集團已應用了約45,000,000港元以擴充第二期耐火材料生產線及已撥出100,000,000港元作螢光粉業務發展之預繳投資。餘款則存放於持牌銀行，將會用作加強集團財政實力及競爭優勢。

### 流動資金及財務資源

截至二零零一年十二月三十一日，本集團持有包括已抵押存款之現金及銀行存款合共值249,017,000港元。而所有長期銀行貸款已於年底到期時全數歸還。此外，於二零零零年六月所發行之可換股債券已被全數兌換，故截至二零零一年十二月三十一日，本集團並無任何長期債務。

由於期內所作出的資本性支出及貸款之償還，使本集團之所有負債對所有資產比率進一步下

Although the percentage is not significant now, the Group is on the track to lead export sales of refractory products to reach a target of 50% from 10%.

### STAFF AND REMUNERATION

The Group sees its people as the key to success. The Group believes that its competitiveness would be greatly enhanced with the commitment of professionals. Thus, the Group is constantly seeking to employ and nurture more professionals and experts in management, research and development as well as production. Currently, the Group has an over 1,200 workforce. Through the provision of comprehensive training to its people and employment of well-educated professionals, the Group continues to strengthen its manpower.

Total staff cost excluding directors' emoluments incurred during the year amounted to HK\$15,165,000.

The Group offers comprehensive remuneration and benefit packages to its employees. The Group also adopts a share option scheme as a part of the benefit package, however, no options were granted during the year.

### USE OF PROCEEDS

The net proceeds of about HK\$72,000,000 from the placement of 70,000,000 new shares in November 2000 were

fully invested in the construction of the new rare earth separating lines for ionic ore which were inaugurated in June 2001.

In July 2001, the Group raised approximately HK\$254,500,000 from the placement of 105,200,000 new shares. As at 31 December 2001, the Group had applied about HK\$45,000,000 in the second phase expansion of refractory materials production lines, and HK\$100,000,000 as a prepayment for its development of fluorescent powders business. The remaining proceeds have been deposited in licensed banks and will be used to strengthen the Group's competitiveness.

### LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2001, the Group had cash and bank balances, including pledged deposits, of HK\$249,017,000. All long-term bank loans had been repaid upon maturity by the end of the year. In addition, as the convertible bonds issued in June 2000 had been fully converted, there was no long-term liability as at 31 December 2001.

Because of the capital expenditure and repayment of bank loans in the year, total liabilities to total assets ratio was further decreased to 8%. Should there be any

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降至8%。因此，倘若要面對因潛在機遇的發展而需要財務上的協助，本集團定必可以較有利的條件得到財務支持。

### 展望

本集團的稀土及耐火材料兩大主要業務具有互補性，且皆有明顯的產業優勢。耐火材料產業於國外是夕陽工業，而於中國卻正處於旺盛發展，提升檔次的時期，且相對穩定；稀土產業雖然市場波動性大，但產品應用範圍廣泛，產業前景樂觀，增長性強。

去年度稀土行業的不景氣，對本集團的營業額及利潤均有一定程度的影響。在部份國內的競爭對手因承受不了市場沖擊而暫停生產的情況下，本集團有賴於提前準備和充分努力，業績仍然不致於倒退。這樣可為本集團在未來由中國政府倡導的稀土行業之整合中處於更有利的地位。另一方面，本集團預期稀土行業將於二零零二年下半年開始復甦，現正為復甦作好準備。本集團的先進而自動化的稀土分離設施已大體擴充完成，有足夠能力應付客戶需要及深加工發展，本集團日後的發展路向將會朝着深加工高增值的下游產品伸延。本集團旗下致力發展高品質熒光粉之附屬公司—無錫新威熒光材料有限公司—已經成立，由本集團與另一企業聯合投資經營。新公司的投資總額約為150,000,000港元，本集團佔71%。該公司現正準備投資生產設備，希望能迎接稀土行業復甦而帶來的商機。而在去年艱苦的環境下，本集團熒光粉售價的下調亦反映了改良現有熒光粉產品的迫切性。現預期新生產線能於本年年中開始投產，將能年產500噸高檔熒光材料，

financial needs to meet with potential opportunities, the Group is confident of obtaining financing of favorable terms.

### PROSPECTS

The Group's core businesses, namely rare earth products and refractory products, complement each other while at the same time show strong competitive advantage in their respective industries. As a declining industry outside the PRC, the refractory materials industry is booming and evolving in the PRC and development has been stable. Despite the fluctuating economy, thanks to the wide range of product applications, the rare earth industry has a promising prospect and tremendous growth potentials.

The poor market conditions in rare earth industry last year had adversely affected the Group's turnover and profit. Some of the Group's competitors in the PRC had no choice but to cease their production. The Group, however, has prepared for the adversity and through exerting its tremendous efforts, managed to successfully maintain its turnover and established its prime position in the PRC rare earth industry. The Group can also take advantage of the re-structure of the industry to be guided by the Chinese government in the near future. On the other hand, anticipating a rebound of the rare earth industry in the second

half of 2002, the Group has been actively preparing itself for grasping every opportunity that may arise during the recovery. The completion of the expansion projects of rare earth separation facilities, which involved equipping them with sophisticated and automated techniques, will allow the Group to seize those new opportunities. With these advanced technologies, the Group will be able to meet the needs of different customers and accelerate its development. Looking ahead, the Group will turn its attention towards downstream product development. This initiative is evidenced by the establishment of Wuxi Xinwei Fluorescent Materials Co., Ltd., a subsidiary of the Group that specializes in the development of quality fluorescent powders. The new company, with a total investment of HK\$150 million of which 71% of it is borne by the Group, is jointly operated by the Group and another enterprise. It welcomes the recovery of the rare earth industry and has been investing on new production facilities. The urgent need for product improvement is also reflected in the reduction in price of fluorescent powder of the Group. The new production line is expected to commence operation in mid-2002 and is capable to produce annually 500 tonnes top grade fluorescent materials including super afterglow

# 主席報告書 CHAIRMAN'S STATEMENT

包括超長餘輝粉等。另外，本集團亦將於本年設立稀土應用工程研究中心，以推進稀土應用產品的工業化進程。

耐火材料方面，第二期的擴產工程亦進行得如火如荼，可望於二零零二年中落成投產。屆時年產能力可由現時的50,000噸增加至80,000噸，可配合於二零零一年四月與日本耐火材料專家簽訂的技術合作協議而開發新產品。除了一直被受重視，應用於鋼鐵精煉爐的電鍍再結合鎂鉻磚及浮法玻璃業用的蓄熱室格子筒形磚的發展外，今年還將開發水煤漿汽化爐用鉻鉛質耐火材料。此外，本集團將繼往開來，繼續拓展國際市場，提高市場佔有率。

另一方面，本集團亦不斷尋求穩定礦源的機會，有合適目標時會先作詳細調查，在保障投資者利益前提下作審慎之投資。

## 總結

本集團二零零一年的全年業績表現由於國際大形勢及稀土應用於資訊科技產業的回落而受到影響，盈利水平仍然能令人滿意。這實在有賴全體員工及各客戶的鼎力支持。展望未來，本集團將研發更多高附加值深加工產品，拓展下游業務，爭取更大市場佔有率，為未來業務發展注入源源動力。

最後，本人謹代表董事會，感謝各客戶、股東、投資者、供應商及業務夥伴一直以來對本集團的信賴與支持。並向一直竭誠效力的員工們致以由衷謝意。

主席

蔣泉龍

二零零二年四月十八日

phosphor. The Group will also establish a rare earth application engineering research centre to accelerate the pace of industrialization of rare earth products.

For refractory products, the second phase expansion project is in progress and is expected to be completed and commence operation in mid-2002. Upon the completion of the expansion project, the annual production capacity will escalate from currently 50,000 tonnes to 80,000 tonnes, in line with the agreement signed between the Group and a Japanese refractory expert company in April 2001 to jointly develop new products. Apart from the fused rebonding magnesia-chrome brick and tubular checker bricks for regenerators which are used in steel refining furnace and floating glass, respectively, the Group will develop chrome-zirconia bricks refractory products which will be applied in coal-water gasifiers. Building on its past achievements, the Group will step up its efforts to explore overseas markets for its products and increase its market share.

Additionally, the Group is seeking to ensure stable supplies of raw materials. It also pledges to undertake extensive research and investigation in advance whenever potential investment opportunities

arise in order to protect the interests of shareholders.

## CONCLUSION

The poor global economic sentiment and the slowing down of the information technology industry have to some extent thwarted the Group's results. However, with the relentless support of our staff and customers, the Group was able to deliver a satisfactory profit. Looking to the future, the Group is committed to producing more value added products, putting more emphasis on downstream development to enlarge its market share and drive the Group's development.

Finally, on behalf of the Board of Directors, I sincerely thank our customers, shareholders, investors, suppliers and business partners for their trust and support to the Group. My thanks also go to our committed staff whose contribution has been instrumental to the Group's development.

Jiang Quanlong

Chairman

18 April 2002