

# 主席報告書

## CHAIRMAN'S STATEMENT



蔣泉龍 - 集團主席  
Jiang Quanlong - Chairman

致各位股東：

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

To Shareholders,

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

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

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

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

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

better results as compared to its counterparts in the industry.

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



對本集團的努力和成績取得了肯定。

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

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

### 財務業績

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

### FINANCIAL RESULTS

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



## 股息

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

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

## 業務回顧

### 稀土

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

## DIVIDEND

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

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

## BUSINESS REVIEW

### Rare Earth

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

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

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

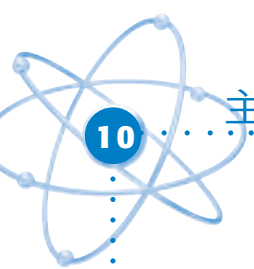
回顧年內，本集團共銷售稀土類產品約4,000噸，比二零零二年增長了近10%。稀土業務營業額約208,281,000港元，與二零零二年基本持平。銷售量增加而銷售額持平，反映出稀土類產品平均價格在二零零三年的下調。部分產品如氧化鈾、氧化釹、氧化鎳及氧化釷的售價均下降了約兩成。成本方面，主要原材料如氯化稀土及碳酸稀土的價格卻變化不多。但由於本集團在二零零二年於存貨上計提了較多撥備，致使二零零三年本集團在稀土業務的毛利率不跌反升，達10%。市場方面，二零零三年本集團稀土業務約60%內銷，另40%出口。歐洲市場的增長彌補了美國與日本市場的沉寂，成為出口比例最高的地區。

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

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

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





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

#### 耐火材料

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

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

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

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

#### Refractory Materials

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

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

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

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

### 產品開發

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

### 兼併收購

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

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

### PRODUCT DEVELOPMENT

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

### MERGER AND ACQUISITION

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



**環境保護**

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

**ENVIRONMENTAL PROTECTION**

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

**流動資金及財務資源**

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

**LIQUIDITY AND FINANCIAL RESOURCES**

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

**匯率風險**

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

**EXCHANGE RATE EXPOSURE**

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

**資產抵押**

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

**CHARGE ON ASSETS**

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

### 或然負債

於二零零三年十二月三十一日，本集團並無重大或然負債。

### 僱員及薪酬

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

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

### 展望

#### 稀土

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

### CONTINGENT LIABILITIES

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

### STAFF AND REMUNERATION

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

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

### PROSPECTS

#### Rare Earth

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



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

#### 耐火材料

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

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

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



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

#### Refractory Materials

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

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

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

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

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

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

#### 致謝

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

主席  
蔣泉龍

二零零四年四月十五日

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

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

#### APPRECIATION

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

Jiang Quanlong  
Chairman

15 April 2004