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Q&A: REMT sees Mg demand to grow in long term

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Beijing, 20 November (Argus) – *Century Sunshine is a producer of ecological fertiliser and rare earth magnesium alloy in China. It has adopted advanced production technology to develop magnesium resources in northwest China's Xinjiang. The chairman of the firm's subsidiary REMT Shum Sai Chit told Argus that growing demand for lightweight materials and 5G telecommunications is expected to support the magnesium market in the long term. Edited highlights follow.*

Can you introduce your company?

Century Sunshine Group is the first listed ecological fertiliser company in Hong Kong. We have three ecological fertiliser products – ecological fertiliser, functional fertiliser and general fertiliser.

Our ecological fertiliser products are suitable for growing various crops, including food crops, tea, fruits, vegetables, peanuts, bamboo, eucalyptus and other cash crops. Functional fertiliser and ecological fertiliser are our main products, accounting for more than 40pc of the company's revenues.

We have a subsidiary Rare Earth Magnesium Technology Group (REMT). It is listed on the Hong Kong stock exchange and is a major researcher and developer in the rare earth magnesium alloy industry.

Our magnesium facility is located in Xinjiang province and it produces magnesium metal and rare earth magnesium alloy. The plant utilises resources in Xinjiang to lift rare earth proportions in our magnesium alloy products.

Adding an appropriate amount of rare earths to magnesium alloy will enhance the alloy's tensile strength, elongation and other properties and then increase the use of magnesium alloys in the aviation, aerospace transportation, biological and construction industries. REMT has 22 patents in magnesium alloy process and preparation, with a number of the patented products used in China's Shenzhou spacecraft and other military products.

Supported by growing demand for automobile light-weight materials, expansion of the rare earth industrial chain and rapid developments of the 5G telecommunication, the market for magnesium alloy products is expected to have

brilliant prospects. By building a large rare earth new material technology innovation platform, REMT will lead the magnesium industry in a new era of high-tech developments.

What are the advantages in Xinjiang as a new production hub for magnesium?

REMT's plant is located in Hami city, the east part of Xinjiang province, which is a key transportation junction from China to the Middle East and Europe. Hami has abundant dolomite, coal, limestone, silica, petroleum and other mineral resources and cheaper electricity prices. The sufficient light in Hami provides a good climatic environment for magnesium production. As China has developed its "One Belt and One Road" Initiative, Hami has the advantage of exporting magnesium products to the European continent.

What are your advantages compared with the major magnesium producing region Shaanxi province of China?

In addition to resources, transportation and climate, we have adopted a new type of vertical pot reduction and smelting technology, which is the most advanced technology in the magnesium industry so far. It has achieved mechanisation and automation in the magnesium smelting process. It has lifted the plant's production and energy efficiency.

We have a target to reach 100,000 t/yr of capacity for magnesium metal and alloy, and have launched 40,000 t/yr of it. We will accelerate construction of the remaining 60,000 t/yr and also develop ferro-silicon and semi-coke plants to form a complete recycling operation.

As one of few magnesium producers that has adopted vertical tank reduction furnaces, what are your advantages compared with the traditional horizontal furnaces?

The traditional horizontal tank reduction furnaces occupy larger area and consumes more energy. It has low degree of automation and workers have to operate near a hot furnace.

But the vertical tank reduction furnaces have increased a single tank's production and extends the tank's service life, which can save costs. Mechanical equipment can be used in feeding, slag discharge and magnesium extraction. The conditions for workers are better. It reduces energy consumption and emissions.

Magnesium prices have been rangebound at 14,000-15,000 yuan/t in the past two months after reaching Yn18,000/t in the first quarter. What factors are behind the lower prices?

Prices have moved down because of weak demand and lower exports amid frequent changes in exchange rates. But current prices have approached production costs, so producers are unlikely to cut prices further.

But the lower magnesium prices have had limited impact on our business as we focus on producing and selling the higher value-added rare earth magnesium alloy products. We will optimise our product structure in future and increase our production and sales of rare earth magnesium alloy.

What is your forecast on the magnesium market?

Magnesium will gradually replace aluminium in the future in response to its growing applications in the light metals industry. Magnesium supplies are expected to keep tight because of multiple factors such as environmental restrictions, mining renovations and integration and Beijing's decapacity measures. The imbalance between supply and demand is still a concern.

As a major producer in the ecological fertiliser industry, we will benefit from the country's policies of promoting the use of ecological fertilisers. Consumers are keen to use high-end fertiliser products to produce higher quality and quantity of crops.

What are your company's future plans?

Our subsidiary Shandong Red Sun Group has created a sulphur compound fertiliser and lead the developments in the sector. Century Sunshine's sales network has covered 29 provinces.

One of our production complexes in Jiangxi province has launched the first phase of 550,000 t/yr fertiliser capacity, and the second phase of 1.4mn t/yr is under construction.

The government has been promoting applications of high-efficient organic fertilisers. China's ministry of agriculture has proposed an action plan of zero growth of fertiliser use by 2020. The use of pesticides has been falling for three consecutive years and the use of fertiliser has achieved a zero growth.

In 2008, trial sites for replacing chemical fertilisers with organic fertilisers for fruit and vegetable tea expanded to 150 counties in China, with a total subsidy of Yn1.5bn. We will continue to lift ecological fertiliser output and its sales to increase our product quality and profit margins.

The magnesium industry will develop rapidly in the following years in line with developments in the downstream sectors. About 70pc of magnesium is used in transportation, 20pc is used in consumer electronics industries and 10pc in aerospace and aviation industries. Growing demand for lightweight materials from the automobile industry and a fast growth of 5G telecommunication will support the magnesium market.

We will focus on researching and developing rare earth magnesium alloy and lifting production. We will also increase our sales network in Inner Mongolia, Ningxia, Anhui, Shandong, Gansu, Henan, Guangxi, Yunnan, Sichuan, Liaoning, Jilin and Heilongjiang provinces to lift the competitiveness of our products.

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