

The Board of Directors (the “Board”) of Asia Zirconium Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2005 together with the comparative figures. The condensed consolidated interim financial statements (the “Interim Financial Statements”) have not been audited, but have been reviewed by the Company’s Audit Committee.

Condensed Consolidated Income Statement

For the six months ended 30 June 2005

	Notes	Unaudited	
		Six months ended 30 June 2005	2004
		RMB'000	RMB'000
Turnover	2	195,721	170,018
Cost of sales		(144,778)	(113,466)
Gross profit		50,943	56,552
Other revenue	2	1,394	288
Distribution costs		(5,314)	(4,846)
Administrative expenses		(7,329)	(7,886)
Other operating expenses		(326)	—
Profit from operations	3	39,368	44,108
Finance costs		(226)	—
Profit before taxation		39,142	44,108
Taxation	4	(5,124)	(5,684)
Profit attributable to shareholders		<u>34,018</u>	<u>38,424</u>
Dividends	5	—	—
Basic earnings per share (RMB)	6	<u>0.067</u>	<u>0.083</u>
Diluted earnings per share (RMB)	6	<u>N/A</u>	<u>0.083</u>



Condensed Consolidated Balance Sheet

At 30 June 2005

		Unaudited 30 June 2005 RMB'000	Audited 31 December 2004 RMB'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	7	229,964	222,332
Land use rights	7	55,548	56,148
Intangible assets	8	3,000	3,500
Deferred expenditure		1,853	2,838
Total non-current assets		290,365	284,818
Current assets			
Inventories	9	48,168	32,016
Trade and other receivables	10	72,294	96,887
Cash and bank balances		148,094	114,562
Total current assets		268,556	243,465
Total assets		558,921	528,283
Current liabilities			
VAT payable		294	3,324
Tax payable		32,413	27,289
Trade and other payables	11	46,535	45,384
Trust receipt loans		11,143	—
Total current liabilities		90,385	75,997
Net current assets		178,171	167,468
Total assets less current liabilities		468,536	452,286

Condensed Consolidated Balance Sheet

At 30 June 2005

	Unaudited 30 June 2005 <i>RMB'000</i>	Audited 31 December 2004 <i>RMB'000</i>
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Capital and Reserves		
Share capital	53,529	53,529
Other reserves	194,607	212,375
Retained profits	220,400	186,382
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Shareholders' Funds	468,536	452,286
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Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2005

	Unaudited	
	Six months ended 30th June	
	2005	2004
	RMB'000	RMB'000
Net cash generated from / (used in) operating activities	53,111	(8,449)
Net cash used in investing activities	(12,954)	(20,604)
Net cash (used in) / generated from financing activities	(6,557)	37,217
Effects of exchange rate changes	(68)	93
Net increase in cash and cash equivalents	33,532	8,257
Cash and cash equivalents at 1 January	114,562	139,665
Cash and cash equivalents at 30 June	<u>148,094</u>	<u>147,922</u>

Analysis of balances of cash and cash equivalents

	Unaudited	
	30 June	30 June
	2005	2004
	RMB'000	RMB'000
Cash and bank balances	<u>148,094</u>	<u>147,922</u>

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2005

	Unaudited								
	Six months ended 30 June 2005								
	Share Capital	Merger Reserve	Share Premium	Reserve Fund	Expansion Fund	Staff Welfare Fund	Exchange Reserve	Retained Profits	Total
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2005	53,529	(11,085)	167,873	27,967	13,983	13,983	(346)	186,382	452,286
Profit for the period	—	—	—	—	—	—	—	34,018	34,018
2004 final dividend	—	—	(17,700)	—	—	—	—	—	(17,700)
Exchange differences	—	—	—	—	—	—	(68)	—	(68)
At 30 June 2005	<u>53,529</u>	<u>(11,085)</u>	<u>150,173</u>	<u>27,967</u>	<u>13,983</u>	<u>13,983</u>	<u>(414)</u>	<u>220,400</u>	<u>468,536</u>

	Unaudited								
	Six months ended 30 June 2004								
	Share Capital	Merger Reserve	Share Premium	Reserve Fund	Expansion Fund	Staff Welfare Fund	Exchange Reserve	Retained Profits	Total
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2004	42,450	(11,085)	61,685	20,557	10,278	10,278	(128)	137,059	271,094
Issue of shares	10,830	—	125,029	—	—	—	—	—	135,859
Shares issuing expenses	—	—	(1,167)	—	—	—	—	—	(1,167)
Profit for the period	—	—	—	—	—	—	—	38,424	38,424
2003 final dividend	—	—	(19,695)	—	—	—	—	—	(19,695)
Exchange differences	—	—	—	—	—	—	93	—	93
At 30 June 2004	<u>53,280</u>	<u>(11,085)</u>	<u>165,852</u>	<u>20,557</u>	<u>10,278</u>	<u>10,278</u>	<u>(35)</u>	<u>175,483</u>	<u>424,608</u>

Two subsidiaries of the Group established in the PRC, being foreign investment enterprises, are required to appropriate an amount from the net profit reported in the statutory accounts to three statutory reserves, namely reserve fund, enterprise expansion fund and staff welfare fund. All these funds are designated for specific purposes.

The reserve fund can only be utilised, with the approval from the relevant authorities, to offset accumulative losses or to increase capital. All foreign-owned and sino-foreign enterprises are generally required to appropriate not less than 10% of their net profit after taxation to the reserve fund, until the balance of the fund reaches 50% of the registered capital of the respective subsidiary. The reserve fund cannot be distributed in the form of cash.

The enterprise expansion fund can only be utilised to increase capital, with the approval from the relevant authorities. The staff welfare fund can only be utilised for the benefit of the employees. These appropriations are made at every year end.

Notes to the Interim Financial Statements

1. Basis of Preparation and Accounting Policies

The Interim Financial Statements are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”).

The accounting policies, methods of computation, and basis of preparation used in the Interim Financial Statements are consistent with those used in the preparation of the Group’s financial statements for the year ended 31 December 2004 except as described below.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards (“HKFRS”), HKASs and interpretations (collectively, “new HKFRSs”) which are effective for accounting periods beginning on or after 1 January 2005. The Group has adopted a number of new HKFRSs, for the first time, in the preparation of the Interim Financial Statements. Effects of such adoption are set out below:

- (a) The adoption of HKFRS 2 “Share-based Payment” has resulted in a change in the Group’s accounting policy for share options. Prior to the adoption, the provision of share options to employees did not result in a charge to the income statement. Following the adoption of HKFRS 2, the fair value of share options on the date of acceptance is amortised over the relevant vesting periods to the income statement. The adoption of this HKFRS has had no material impact on the Interim Financial Statements.
- (b) The adoption of revised HKAS 17 “Leases” has resulted in a change in accounting policy relating to the reclassification of land use rights from property, plant and equipment to operating leases. The up-front prepayments made for the land use rights are charged to the income statement on a straight-line basis over the period of the lease or where there is impairment, the impairment loss is recognised in the income statement immediately. In prior years, the land use rights were accounted for at cost less accumulated depreciation and accumulated impairment. Apart from the presentational changes, the adoption of revised HKAS 17 has had no material effect on the accounts.

Save as disclosed above, the adoption of the new HKFRSs had no material impact on the Group’s results of operations and financial position.

2. Turnover, Revenues and Segment Information

The Group is principally engaged in the research, development, manufacturing and sales of zirconium compounds, electronic materials, electronic ceramics, new energy materials and rechargeable batteries.

Sales of goods are recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when goods are delivered to the customers and the title has passed.

Interest income is recognised on a time proportion basis on the principal outstanding and at the rate applicable.

Revenue recognised during the period are as follows:

	Unaudited	
	Six months ended 30 June 2005	2004
	RMB'000	RMB'000
Turnover	195,721	170,018
Other revenue - interest income	38	40
- other	1,356	248
Total revenue	<u>197,115</u>	<u>170,306</u>

(i) Primary reporting format — geographical segments

For the six months ended 30 June 2005 (Unaudited)

	Japan	The USA	The PRC	The Netherlands	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	<u>34,244</u>	<u>38,306</u>	<u>75,005</u>	<u>27,984</u>	<u>20,182</u>	<u>195,721</u>
Segment results	<u>5,514</u>	<u>13,006</u>	<u>20,713</u>	<u>5,371</u>	<u>6,339</u>	<u>50,943</u>

For the six months ended 30 June 2004 (Unaudited)

	Japan	The USA	The PRC	The Netherlands	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	<u>27,575</u>	<u>38,396</u>	<u>72,594</u>	<u>17,749</u>	<u>13,704</u>	<u>170,018</u>
Segment results	<u>5,887</u>	<u>12,128</u>	<u>29,947</u>	<u>4,030</u>	<u>4,560</u>	<u>56,552</u>

(ii) Secondary reporting format — business segments

For the six months ended 30 June 2005 (Unaudited)

	Zirconium compounds <i>RMB'000</i>	Electronic materials and electronic ceramics <i>RMB'000</i>	New energy materials <i>RMB'000</i>	Batteries <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue	<u>165,830</u>	<u>571</u>	<u>22,281</u>	<u>7,039</u>	<u>195,721</u>
Segment results	<u>48,171</u>	<u>270</u>	<u>3,379</u>	<u>(877)</u>	<u>50,943</u>

For the six months ended 30 June 2004 (Unaudited)

	Zirconium compounds <i>RMB'000</i>	Electronic materials and electronic ceramics <i>RMB'000</i>	New energy materials <i>RMB'000</i>	Batteries <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue	<u>157,268</u>	<u>385</u>	<u>12,365</u>	<u>—</u>	<u>170,018</u>
Segment results	<u>52,975</u>	<u>130</u>	<u>3,447</u>	<u>—</u>	<u>56,552</u>

3. Depreciation and Amortisation

During the period, depreciation and amortisation of approximately RMB4,813,000 and RMB600,000 (2004: RMB3,134,000 and RMB438,000) were charged to the cost of sales in respect of the Group's property, plant and equipment and land use rights, respectively.

4. Taxation

Tax expense in the condensed consolidated income statement comprised:

	Unaudited	
	Six months ended 30 June	2004
	2005	2004
	<i>RMB'000</i>	<i>RMB'000</i>
Provision for PRC EIT	<u>5,124</u>	<u>5,684</u>

- (a) No provision for Hong Kong profit tax has been made in the accounts as the Group has no assessable profit in Hong Kong for the period.

Yixing Xinxing Zirconium Company Limited (“Yixing Zirconium”) and Yixing Better Batteries Co., Ltd. (“Better Batteries”) are wholly-owned subsidiaries of the Company incorporated in the PRC, and therefore subject to PRC Enterprise Income Tax (“EIT”) at local statutory rate. Pursuant to the relevant income tax laws in the PRC, Yixing Zirconium and Better Batteries are entitled to income tax exemption for the first and second profit-making years and a 50% reduction in EIT for the following three years. Starting from January 2003, the applicable EIT rate for Yixing Zirconium is 12% (being 50% of the standard rate for foreign investment enterprises located in coastal open economic regions). No EIT provision is made for Better Batteries as it did not make a profit in the current period.

- (b) As at 30 June 2005, no provision for deferred tax (2004: Nil) has been recognised in the financial statements as there have been no material temporary differences for tax purposes.

5. Dividends

No interim dividends have been proposed as at the date of this report (2004: Nil).

6. Earnings Per Share

Basic earnings per share is calculated based on the profit attributable to shareholders of RMB34,018,000 (2004: RMB38,424,000) and on the weighted average number of 504,170,946 (2004: 463,054,384) shares in issue during the period.

Diluted earnings per share is not presented for the six months ended 30 June 2005 as there were no dilutive potential ordinary shares in existence during the period. (Diluted earnings per share for the six months ended 30 June 2004 is calculated based on 463,734,202 shares which is the weighted average number of shares in issue during the period plus the weighted average of 679,818 shares deemed to be issued at no consideration if all outstanding options had been exercised.)

7. Capital Expenditure

	Unaudited 30 June 2005	
	Property, Plant and Equipment <i>RMB'000</i>	Land Use Rights <i>RMB'000</i>
Net book value at 1 January 2005	222,332	56,148
Additions	12,954	—
Depreciation / Amortisation	<u>(5,322)</u>	<u>(600)</u>
Net book value at 30 June 2005	<u>229,964</u>	<u>55,548</u>

8. Intangible Assets — Technical Know How

	Unaudited 30 June 2005 <i>RMB'000</i>
Net book value at 1 January 2005	3,500
Amortisation	<u>(500)</u>
Net book value at 30 June 2005	<u>3,000</u>

9. Inventories

	Unaudited 30 June 2005 RMB'000	Audited 31 December 2004 RMB'000
Raw materials	17,986	9,175
Work in progress	6,198	7,326
Finished goods	23,984	15,515
	<u>48,168</u>	<u>32,016</u>

10. Trade and Other Receivables

Aging analysis of trade receivables after provision for bad and doubtful debts is as follows:

	Unaudited 30 June 2005 RMB'000	Audited 31 December 2004 RMB'000
0 - 90 days	48,256	32,723
91 - 180 days	1,450	4,362
181 - 365 days	145	—
More than 1 year	—	—
Trade receivables (<i>Note</i>)	49,851	37,085
Prepayments and other receivables	22,443	59,802
	<u>72,294</u>	<u>96,887</u>

Note:

Normally, 30 to 60 days credit term is granted to local customers in the PRC and 60 to 90 days credit term is granted to overseas customers.

11. Trade and Other Payables

Aging analysis of trade payables is as follows:

	Unaudited 30 June 2005 RMB'000	Audited 31 December 2004 RMB'000
0 - 90 days	8,591	8,109
91 - 180 days	614	418
181 - 365 days	501	707
More than 1 year	1,500	1,208
Trade payables	11,206	10,442
Due to a related company (<i>Note</i>)	1,138	1,138
Due to directors (<i>Note</i>)	5,120	5,191
Notes payable	1,207	323
Salary and welfare payables	14,994	14,877
Accruals and other payables	12,870	13,413
	<u>46,535</u>	<u>45,384</u>

Note:

The amounts due are unsecured, non-interest bearing and repayable on demand.

12. Capital Commitments

	Unaudited 30 June 2005 RMB'000	Audited 31 December 2004 RMB'000
Contracted but not provided for		
— purchases of plant and machineries	528	5,637
— construction in progress	975	4,285
	<u>975</u>	<u>4,285</u>

13. Related Parties Transactions

Related party transactions are as follows:

	Unaudited	
	Six months ended 30 June	
	2005	2004
	RMB'000	RMB'000
Electricity supply from a related company	—	2,697
Steam supply from a related company	—	5,091
Water supply from a related party (<i>Note</i>)	848	1,311

Note:

Water was supplied by Yixing City Xushe Water Supply Plant ("the Water Plant"), a collectively-owned enterprise in Xushe Town of Yixing City, to Yixing Zirconium, a wholly-owned subsidiary of the Company, for manufacturing purpose. Purchase of water was conducted in the normal course of business at prices and terms similar to those charged to and contracted with other customers of the Water Plant. The Water Plant is a related party to the extent that Ms. Bao Xi Mei (being the Deputy General Manager of Yixing Zirconium and the spouse of Mr. Yang Xin Min, an executive director and the shareholder of the Company, is a legal representative of the Water Plant.



Review of Results and Operations

During the period under review, the Group continued to generate a substantial part of its revenue from the principal business segment of zirconium compounds. For the six months ended 30 June 2005, the Group recorded a turnover of RMB195,721,000, of which zirconium compounds business accounted for approximately 85%. Despite the drop in its percentage contribution to the total revenue in the current period (as compared to 92.5% in last year), zirconium business recorded a segment revenue growth of 5%. This was resulted from the Group's policy in strengthening the products mix. Throughout the period, the Group continued to reallocate more resources from low-end zirconium products to high-end deep processed products. This strategy was proved to be successful as the Group maintained a stable growth in its major business segment notwithstanding the limitation posted by the tight supply of zircon sand. Nevertheless, segment results contributed by zirconium business has decreased by 9% to RMB48,171,000 in the current period, resulted from both the drop in the Group's zirconium products prices and the high raw materials prices.

In the new energy materials business, revenue has increased by 80% from RMB12,365,000 in the first half of 2004 to RMB22,281,000 in the current period. Similar to the zirconium business, the new energy materials segment suffered from the high prices of raw materials, including nickel and cobalt, in the period under review. Hence, the segment result was down by 2% to RMB3,379,000 despite the growth in this segment's revenue.

The batteries segment started in late 2004 was still in a start-up stage and hence did not make a significant contribution to the Group's total revenue or results. Revenue and gross loss generated from sale of batteries in the first half of 2005 were RMB7,039,000 and RM877,000, respectively. Leveraging on its expertise in zirconium chemicals, the Group will focus on completing the existing research and development project of using zirconium as additive in high temperature batteries. The Group will strive to expand its market share and improve the operating results of its batteries segment through the successful launch of batteries with zirconium additive.

The Group's profit before taxation for the period under review was RMB39,142,000, representing a decrease of 11% from last year. This was mainly resulted from the overall decrease in gross profit margin of the Group's products. In the current period, the Group provided for taxation charge at 12%, which was the enterprise income tax rate applicable to the Group's major operation in China.

Prospects

In view of the world's fast developing technology in various industries, including the nuclear energy, paper industry and automobile industry (in exhaust purification), it is anticipated that demand for zirconium compounds will continue to grow at a substantial rate over the coming years. Leveraging on its leading edge in zirconium chemicals industry, the Group will continue to focus on strengthening its zirconium business through enriching and upgrading the existing zirconium compounds products. As part of the product mix enhancement, the Group is steadily increasing the production and sale of high-end deep processed zirconium compounds. Under the current plan, the annual production quantity of high-end zirconium compounds will be expanded to around 4,000 tonnes by the end of 2006. Additionally, the Group is developing a number of new high-end zirconium compounds for application in the paper industry and in the exhaust purification system of motor vehicles. Such development projects are expected to complete in the fourth quarter of this year. In respect of raw materials sourcing, the Group will strive to maintain a steady supply of zircon sand from its existing suppliers and at the same time looking for new sources of zircon sand to sustain the future expansion of zirconium production. On the other hand, the Group is also committed to continuous enhancement of zirconium compounds production technology with a view of improving the operational efficiency for each unit of raw material used. To capture more business opportunities in the fast growing zirconium market, the Group is also exploring into the trading business of imported lower grade zircon sand (which is not suitable for use in the Group's own production) in the China market.

In the new energy materials business, it is anticipated that the prices of two major raw materials, nickel and cobalt, will remain at a relatively high level in the second half year of 2005 due to the shortage in global supplies. The Group will flexibly adjust its business plan to cope with the volatile supplies of these two types of raw materials and will strive to maintain the revenue and profit generated by this segment at a stable level.

For the batteries business, the research and development project of high temperature batteries with zirconium additive is close to completion. The Group has already applied for the patent in Mainland China on this newly innovated technology. The Group is scheduled to complete the testing of the sample product before the end of 2005. It is anticipated that the successful launch of this new type of batteries into the market will bring to the Group immense opportunities and prominent return.

Moreover, in view of the improving margins on electronic ceramic products including PTC and components, electric heating tubes and zirconium tiles, the Group plans to gradually expand the business in this segment in the second half year and in 2006.

Looking ahead, the Group will strive to achieve a satisfactory revenue growth and further improve its operating results. The management will streamline and refocus its energy on zirconium compounds business while continuing to explore further opportunities in the other three business segments. The Group is well positioned to access new growth prospects and endeavor to improve long-term shareholder value for its investors.

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2005.

Substantial Shareholder's and Directors' Interests in Securities

Substantial Shareholder's Interests in Securities

As at 30 June 2005, the register of shareholders maintained pursuant to the Securities and Futures Ordinance (the "SFO") shows that the following shareholders with interests representing 5% or more of the Company's issued share capital:

Name of Shareholder	Number of Shares	Percentage of total Share Capital
Yang Xin Min	313,054,946	62.09%
Value Partners Limited	42,112,000	8.35%

Save as disclosed above, the Board is not aware of any persons directly or indirectly interested in 5% or more in the shares of the Company as recorded in the register required to be kept under the SFO.

Directors' Interests in Securities

As at 30 June 2005, the interests of the directors and chief executive of the Company in the securities of the Company and its associated corporation (within the meaning of the SFO) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("the Stock Exchange") pursuant to Divisions 7 and 8, stipulated in Section 341 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Nature of Interests	Number of shares and approximate percentage of shares interested
Yang Xin Min	Personal	313,054,946 (62.09%)

Share Option Granted Pursuant to the Share Option Scheme

Pursuant to the written resolution on Share Option Scheme (the “Scheme”) approved by the directors on 24 September 2002, the Board may, at its discretion, grant options (the “Options”) to any director (whether executive or non-executive and whether independent or not), any employee (whether full-time or part-time), any consultant or adviser of or to the Company or the Group (whether on an employment or contractual or honorary basis and whether paid or unpaid) (the “Eligible Persons”). The Scheme will expire on 23 September 2012.

No Options have been granted or exercised during the period and there was no outstanding Options as at 30 June 2005. (As at 30 June 2004, Options to subscribe for a total of 2,000,000 shares of the Company have been granted under the Scheme, representing 0.5% of the Company’s shares in issue as at the date of grant.)

Liquidity and Financial Resources

At 30 June 2005, the Group had unsecured banking facilities amounted to HK\$400,000 in the form of corporate credit cards and US\$3,800,000 in the form of trade financing facilities. The Group has the same banking facilities as at 31 December 2004.

The Group had no long-term liabilities as at 30 June 2005 and 31 December 2004.

Contingent Liabilities

At 30 June 2005, the Group had no material contingent liabilities.

Employees

For the six months ended 30 June 2005, the Group had approximately 670 employees (same period of 2004: 580 employees). In the first half of 2005, the aggregate employee remuneration (including directors’ fees) was approximately RMB8,367,000 (same period of 2004: RMB7,067,000). The Group offers competitive salary packages to its employees who will also be given incentives based on their individual performance as well as the Group’s overall remuneration and bonus systems.

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities for the six months ended 30 June 2005.

Pre-emptive Rights

There is no provision for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Material Litigation

During the period, the Company was not involved in any litigation or arbitration of any material importance.

Corporate Governance

Compliance with the Code on Corporate Governance Practices

During the period ended 30 June 2005, the Company has complied with the Code on Corporate Governance Practices ("Code") as set out in Appendix 14 to the Listing Rules except for the following deviations:

- (a) Under the Code, the roles of Chairman and Chief Executive Officer should not be performed by the same individual. The division of responsibilities between the Chairman and Chief Executive Officer should be clearly established and set out in writing.

Mr. Yang Xin Min has been the Chairman and the Chief Executive Officer of the Company since its incorporation. Mr. Yang is in charge of the overall management of the Company and the Group. The Company considers that the combination of the roles of Chairman and Chief Executive Officer can promote the efficient formulation and implementation of the Company's strategies which will enable the Group to grasp business opportunities efficiently and promptly. The Company considers that through the supervision of its Board and its independent non-executive directors, a balancing mechanism exists so that the interests of the shareholders are adequately and fairly represented.

- (b) The Company has not set up a remuneration committee within the period under review. Nevertheless, the Directors' remuneration policies have been approved in the General Meetings and stipulated in the Directors' service contracts. The Company has established a remuneration committee on the Board Meeting held on 21 September 2005.

Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”)

The Company has adopted a code of conduct regarding directors’ securities transactions in terms as stringent as those set out in the Model Code. All Directors, following specific enquiries made by the Company, confirmed that they have complied with the required standard of dealings as set out therein throughout the six months period ended 30 June 2005.

Audit Committee

The Company set up an Audit Committee on 24 September 2002 with its written terms of reference being in compliance with Rules set out in “A Guide for the Formation of An Audit Committee” issued by Hong Kong Institute of Certified Public Accountants. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control systems of the Group. The Audit Committee along with the management have reviewed the accounting principles, standards and methods adopted by the Group, and has reviewed the unaudited Interim Financial Statements for the six months ended 30 June 2005.

Post Balance Sheet Date Event

As at the date of this report, the Group had no post balance sheet date event.

By order of the Board

Yang Xin Min

Chairman

Hong Kong, 21 September 2005



Corporate Information

Executive Directors

Mr. Yang Xin Min (Chairman)
Ms. Huang Yue Qin
Mr. Zhou Quan
Mr. Li Fu Ping

Independent Non-executive Directors

Mr. Cheng Faat Ting Gary
Mr. Guo Jing Mao
Mr. Shi You Chun

Audit Committee

Mr. Cheng Faat Ting Gary (Chairman)
Mr. Guo Jing Mao
Mr. Shi You Chun

Remuneration Committee

Mr. Cheng Faat Ting Gary (Chairman)
Mr. Shi You Chun
Mr. Yang Xin Min

Auditors

RSM Nelson Wheeler

Principal Bankers

Bank of China
Agricultural Bank of China

Legal Advisers

Li & Partners
Conyers Dill & Pearman, Cayman

Qualified Accountant and Company Secretary

Ms. Li Mei Kuen

Registered Office

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681GT
George Town
Grand Cayman
British West Indies

Head Office and Principal Place of Business

No. 68 Hongxin Road
Xushe Town
Yixing City
Jiangsu Province
PRC

Place of Business and Correspondence

Address in Hong Kong

Office 3509, 35th Floor
Tower Two, Lippo Centre
No. 89 Queensway
Hong Kong
Tel: (852) 2123 9986
Fax: (852) 2530 1699
Website: <http://www.asiazirconium.com>
Email: investors@asiazirconium.com.hk

Principal Share Registrar

Butterfield Bank (Cayman) Limited
Butterfield House
68 Fort Street
Grand Cayman
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tengis Limited
Ground Floor
Bank of East Asia Harbour View Centre
No. 56 Gloucester Road
Wanchai
Hong Kong

Stock Name: Asia Zirconium

Stock Code: 0395