



For immediate release

31 August 2006

Asia Zirconium Limited
Continue to conduct R&D on new high-end zirconium products
Diversify in products and sales channels

Asia Zirconium Limited (“Asia Zirconium” or “the Company”, stock code: 0395) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2006 (the “Reporting Period”), as well as the development plan for the second half of the year..

For the six months ended 30 June 2006, the Company recorded a total turnover of RMB224,323,000, represented a 15% growth as compared to the same period last year. Zirconium business continued to be the Group’s major revenue source, which accounted for 90% of the current period’s turnover.

Commenting on the interim results of 2006, Mr. Yang Xinmin, Chairman of Asia Zirconium, said, “Consistent with prior year’s strategy, the Group continued to enhance the product mix by producing and selling more high-end deep processed products in the first half of 2006. This strategy was once again proved to be successful as both sales and results of the zirconium compounds segment were recorded growths.”

“Due to the surging prices of raw materials, including nickel and cobalt, the Group has strategically adjusted the production and sales plan of the segment of the new energy materials business, so as to reduce the effect of this segment on the overall results of the Group. Notwithstanding the drop in sales of the segment, the Group was able to maintain the gross margin of the segment at around 15%. Provided that the costs of nickel and cobalt keep on rising, the Group is intended to further reduce the production.” Mr. Yang Xinmin added.

In the recent years, Asia Zirconium has been exploring new applications of zirconium. The sales of zirconium products in the cosmetic and ceramic industries are expected to grow considerably. The Group will continue to invest in the production and sales of high-end deep-processing zirconium products, including zirconium products to the paper industry and artificial jewelry industry. It is believed the sales of the products will expand rapidly in the coming years, Asia Zirconium will stabilize and explore the existing and new supplies of raw materials to support the rapid development of the Company.



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Looking ahead, Mr. Yang Xinmin remarked, “The second half of 2006 will still be a period of challenges for Asia Zirconium. We are actively considering the opportunities of cooperation with zircon sand new suppliers so as to stabilize the raw materials supply for the future expansion of the zirconium business, to ensure the future development of the Company would not be affected by the restrictions of the supply of raw material. In the meantime, Asia zirconium will continue to focus on the research and development of new high-end zirconium products and new types of power batteries, as well as to enhance and improve the product mix. We are confident that product diversification will facilitate business expansion, provide greater flexibility, and explore the scopes of businesses. Asia Zirconium Limited will bring forth the promising operating profits in the long run, so as to fulfill the long supports of investors and shareholders.”

Company profile:

Asia Zirconium Limited, listed on the Stock Exchange of Hong Kong Limited on 28 October 2002, is the largest zirconium chemicals manufacturer and exporter in the PRC. With annual production capacity of over 40,000 tonnes of various types of zirconium chemicals, the Company’s products sold in the PRC, Japan, the US and Hong Kong with “Long Jing” as the registered trademark. The Company established a new wholly-owned subsidiary in Yixing which specialized in the manufacture and sale of rechargeable batteries, including lithium ion, NiMH and NiCd batteries. It is expected that the production of electric vehicle power batteries will be launched to the market by the end of the year.

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