

Prospects for the second half of 2003 and the next three years

Looking forward, the Group expects the growth of global zirconium industry to be vigorous. With the discovery of new usages coped with an acceptable price level, zirconium materials will be more commonly found in our daily lives, apart from sophisticated industrial products only. The Group will fully capture the demand and needs of the customers, adjust its product mix, strengthen its corporate governance, tap up market shares and ensure a good return to investors.

The second half of this year will be a milestone for the Group. The expansion plans for the initial public offerings are expected to be completed before the end of 2003. Production of electronic ceramics and energy material will commence. Electronic ceramics includes PTC electronic heating components and zirconium oxide heat-resisting plates while energy materials include chrome hydroxide, hydrogen storage alloy and lithium cobalt that can be used in NiCd, NiMH and Li-ion batteries. Given the good return and huge demand of such materials, the group will capitalize market opportunities on zirconium derivative products to meet the enormous market growth. Accordingly, the Group will make use of its R&D expertise to further explore future opportunities, say automobile battery.

The Group will continue to leverage on its R&D efforts. After accredited by “2002 China Torch Program” for its nanometric zirconium oxide, the Group have confident that the ceric-zirconium compound included in the Torch Program of the State Ministry of Science and Technology in April 2003 will be another benchmark for the Group. The new ceric-zirconium compound is a raw material for fuel cell batteries and catalys for motor exhaust and is expected to be produced in the future. The Group will cooperate with a science institution in the PRC to conduct R&D of this product in the next three years.