NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

1. BACKGROUND OF THE COMPANY

Asia Zirconium Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company was listed on The Stock Exchange of Hong Kong Limited on 28 October 2002.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 17 to the financial statements. The principal place of business of the Company in Hong Kong was located at Room 3509, 35th Floor, Tower Two, Lippo Centre, No. 89 Queensway, Hong Kong.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRSs issued by the HKICPA requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 32.

The adoption of new / revised HKFRSs

In 2005, the Group adopted all the new/revised standards and interpretations of HKFRSs below, which are relevant to its operations. The comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings Per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(continued)*

The adoption of new / revised HKFRSs *(continued)*

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 16, 21, 23, 27, 32, 33, 36, 38, 39 and HKFRS 3 did not result in substantial changes to the Group's accounting policies.

In summary:

— HKAS 1 has affected the presentation and disclosure of financial statements.

— HKASs 2, 7, 8, 10, 16, 21, 23, 27, 32, 33, 36, 38, 39 and HKFRS 3 had no material effect on the Group's accounting policies.

HKAS 17 - Leases

The Group has land use rights in the People's Republic of China other than Hong Kong (the "PRC"), with self-constructed buildings erected on them for manufacturing purposes. In previous years, these property interests were classified as property, plant and equipment. In accordance with HKAS 17 the land use rights are classified as prepaid lease payments under operating leases, and are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has had no effect on the Group's previously reported consolidated income statements and retained profits.

HKAS 24 - Related party disclosures

As a result of the adoption of HKAS 24, the definition of related parties as disclosed in note 3(c) has been expanded to clarify that related parties include entities that are under the significant influence of a related party that is an individual (i.e. key management personnel, significant shareholders and / or their close family members) and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group. The clarification of the definition of related parties has not resulted in any material changes to the previously reported disclosures of related party transactions nor has it had any material effect on the disclosures made in the current period, as compared to those that would have been reported had SSAP 20, Related party disclosures, still been in effect.

HKFRS 2 - Share-based payments

With effect from 1 January 2005, in order to comply with HKFRS 2, the Group has adopted a new policy for employee share options. Under the new policy, the Group recognises the fair value of such share options as an expense with a corresponding increase recognised in a capital reserve within equity. Further details of the new policy are set out in note 3(q).

The Group has taken advantage of the transitional provisions set out in HKFRS 2, under which the new recognition and measurement policies have not been applied to the following grants of options:

(a) all options granted to employees on or before 7 November 2002; and

(b) all options granted to employees after 7 November 2002 but which had vested before 1 January 2005.

This change in accounting policy has had no effect on the Group's previously reported consolidated income statements and retained profits.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(continued)*

The adoption of new / revised HKFRSs *(continued)*

The Group has not applied the following new standards or interpretations that have been issued but are not yet effective. The application of these standards or interpretations will not have material impact on the financial statements of the Group.

HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS 7	Financial Instruments: Disclosures
HKFRS Int 4	Determining whether an Arrangement contains a Lease
HKFRS Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HKFRS Int 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
HKAS 1 (Amendment)	Capital Disclosures
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 and HKFRS 4 (Amendment)	Financial Guarantee Contracts

3. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

(a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

(b) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses, if necessary. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(c) Related parties

Parties are considered to be related to the Group if the Group has the ability, directly and indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and / or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

(d) Revenue recognition

(i) Sales of goods

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.

(ii) Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(iii) Dividend

Dividend income is recognised when the shareholders' rights to receive payment have been established.

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss. Depreciation of property, plant and equipment is provided using the straight-line method over their estimated useful lives. The estimated useful lives of property, plant and equipment are as follows:

Buildings	10 - 30 years
Machinery and equipment	5 - 20 years
Office equipment and fixtures	5 years
Motor vehicles	5 years

Gains and losses on disposals of property, plant and equipment are recognised in the consolidated income statement based on the net disposal proceeds less the carrying amount of the assets at the date of disposal.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(f) Construction in progress

Construction in progress represents buildings under construction and plant and machinery pending installation, and is stated at cost. No depreciation is made on construction in progress until such time as the relevant assets are available for use.

(g) Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment (if any). If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(h) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost, calculated on the first-in first-out cost basis, comprises all costs of purchase, costs of conversion, including direct labour and an appropriate proportion of production overheads, and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

When inventories are sold, the carrying amount of the inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(i) Financial instruments

Financial assets and financial liabilities are recognised in the consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument.

(i) Trade receivables

Trade receivables are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in income statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

(ii) Trade payables

Trade payables are subsequently measured at amoritised cost, using the effective interest rate method.

(iii) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(j) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Group's functional and presentation currency.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(j) Foreign currency translation *(continued)*

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(iii) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each income statement are translated at average exchange rates; and

(c) all resulting exchange differences are recognised as a separate component of equity.

(k) Taxation

The charge for taxation is based on the results for the year ended as adjusted for items which are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred taxation is charged or credited to the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred taxation is also dealt with in equity.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(l) Intangible assets

(i) Technical know-how

Expenditure on acquired technical know-how is capitalised and amortised using the straight line method over the useful lives of five years from the date when the technical know-how is available for use.

(ii) Research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life, which is usually no more than five years.

Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

(m) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Inter-segment pricing is based on similar terms as those available to other external parties.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the combination process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loan, borrowings, corporate and financing expenses.

(n) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing party are accounted for as operating leases. Rentals applicable to such operating leases are charged to the consolidated income statement on a straight-line basis over the lease term.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(o) Cash and cash equivalents

Cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value.

(p) Government grants

Government grant is recognised, when there is reasonable assurance that the Group will comply with the conditions attaching with it and that the grant will be received.

(q) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Equity-settled share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

(r) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the group or the company has a legal or constructive obligation arising as a result of a past events, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

4. TURNOVER, REVENUE 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. Revenue recognised during the year are as follows:

	2005	2004
	RMB'000	*RMB'000*
Turnover	**425,767**	357,218
Other revenue		
— Government grants received related to technical invention	**—**	700
— Interest income	**417**	344
— Other	**1,903**	1,727
	2,320	2,771
	428,087	359,989

Primary reporting format - geographical segments

The Group operates within one geographical segment in the PRC. All segment assets, liabilities and capital expenditures are located in the PRC and therefore no geographical segments are presented, except for the segment revenue and segment results. Segment revenue and segment results are presented base on geographical location of customers.

Secondary reporting format - business segments

The Group's business is mainly categorised into four business segments:

- zirconium compounds;
- electronic materials and electronic ceramics;
- new energy materials; and
- rechargeable batteries

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

4. TURNOVER, REVENUE AND SEGMENT INFORMATION *(continued)*

(i) Primary reporting format - geographical segments
For the year ended 31 December 2005

	Japan	The USA	The PRC	The Netherlands	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue	39,059	108,027	188,241	50,916	39,524	425,767
Segment results	10,262	33,452	43,364	7,055	11,982	106,115
Interest income						417
Unallocated cost						(33,308)
Profit from operations						73,224
Finance cost						(557)
Profit before taxation						72,667
Taxation						(10,781)
Net profit for the year						61,886

For the year ended 31 December 2004

	Japan	The USA	The PRC	The Netherlands	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue	59,926	75,342	152,894	34,371	34,685	357,218
Segment results	12,123	23,500	51,124	6,465	8,946	102,158
Interest income						344
Unallocated cost						(27,620)
Profit from operations						74,882
Finance cost						(114)
Profit before taxation						74,768
Taxation						(10,625)
Net profit for the year						64,143

4. TURNOVER, REVENUE AND SEGMENT INFORMATION *(continued)*

(ii) Secondary reporting format - business segments

For the year ended 31 December 2005

	Turnover	Carrying amount of segment assets	Capital expenditure
	RMB'000	*RMB'000*	*RMB'000*
Zirconium compounds	365,178	243,229	34,130
Electronic materials and electronic ceramics	1,341	20,562	1,148
New energy materials	45,439	64,372	1,824
Rechargeable batteries	13,809	50,754	1,847
	425,767	378,917	38,949
Unallocated assets	—	231,293	703
	425,767	610,210	39,652

For the year ended 31 December 2004

	Turnover	Carrying amount of segment assets	Capital expenditure
	RMB'000	*RMB'000*	*RMB'000*
Zirconium compounds	306,902	169,957	28,642
Electronic materials and electronic ceramics	785	18,937	7,158
New energy materials	48,643	61,635	4,114
Rechargeable batteries	888	52,642	26,964
	357,218	303,171	66,878
Unallocated assets	—	225,112	78,916
	357,218	528,283	145,794

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

5. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging:

	2005 RMB'000	2004 RMB'000
Auditors' remuneration	468	603
Costs of inventories recognised as expenses (excluding write off of inventories)	303,026	245,304
Depreciation	13,697	9,618
Amortisation of intangible assets	1,000	1,000
Exchange losses	3,403	23
Research and development costs	3,347	4,675
Operating lease payments		
In respect of office premises in Hong Kong	508	607
In respect of land use right outside Hong Kong	1,202	1,162
Write off of inventories	1,543	2,000
Written off of intangible assets and deferred expenditure	1,977	—
Impairment loss of machinery and equipment	2,500	—
Staff costs (including directors' emoluments) *(Note 11)*	18,534	17,124

6. FINANCE COSTS

	2005 RMB'000	2004 RMB'000
Interest on trust receipt loans	557	114

7. TAXATION

The amount of taxation charged to the consolidated income statement represents:

	2005 RMB'000	2004 RMB'000
Hong Kong profits tax	—	—
PRC income tax		
— current	10,781	10,625

7. TAXATION *(continued)*

(a) No provision for Hong Kong profit tax has been made in the financial statements as the Group had no assessable profit in Hong Kong for the year (2004: Nil).

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 rate of EIT for Yixing Zirconium is 12% (being 50% of the standard rate for foreign investment enterprises located in coastal open economic regions). As a result, the provision for EIT is calculated at 12% on the assessable profit for the year. No EIT provision is made for Better Batteries as it had no assessable profit for the year.

(b) As the Group's major operation and income were located in the PRC, the applicable tax rate to the Group was the tax rate of 12% during the year applicable to the PRC subsidiary as stated in (a) above. A reconciliation between tax expense and accounting profit at applicable tax rate is as follows:

	2005	2004
	RMB'000	*RMB'000*
Profit before tax	**72,667**	74,768
Tax at the applicable tax rate of 12%	**8,720**	8,972
Tax effect of expenses / income that are not deductible / taxable in determining taxable profit	**1,914**	1,388
Tax effect of unrecognised tax losses	**147**	265
Actual tax expense	**10,781**	10,625

(c) At the balance sheet date, the Group had unprovided deferred tax assets which arose from the followings:

	The Group		**The Company**	
	2005	2004	**2005**	2004
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Tax losses:				
Hong Kong	**5,532**	5,385	**—**	—
Mainland China	**—**	—	**—**	—
	5,532	5,385	**—**	—

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

7. TAXATION *(continued)*

(c) *(continued)*

Tax losses in Hong Kong are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in entities which have been loss-making for some time or in the directors' opinion, it is uncertain whether future taxable profits would arise to offset against these losses.

At 31 December 2005, there was no significant unrecognised deferred tax liability (2004: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries as the Group has no liability to additional tax should such amounts be remitted.

8. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit for the year attributable to shareholders of the Company includes a loss of approximately RMB1,758,000 (2004: RMB2,912,000) which has been dealt with in the financial statements of the Company.

9. DIVIDENDS

	2005	2004
	RMB'000	*RMB'000*
Interim, paid	**—**	—
Final, proposed	**17,303**	17,700
	17,303	17,700

At a meeting of the Board held on 10 April 2006, a final dividend of HK3.3 cents (2004: HK3.3 cents) per ordinary share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting. This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of reserves for the year ending 31 December 2006.

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	2005	2004
	RMB'000	*RMB'000*
Earnings for the purposes of basic earnings per share and diluted earnings per share	**61,886**	64,143

	2005	2004
Weighted average number of ordinary shares for the purpose of basic earnings per share	**504,170,946**	483,422,414

The diluted earnings per share amount for the two years ended 31 December 2005 and 2004 has not been shown as there were no dillutive potential ordinary shares existed during the years.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

11. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2005	2004
	RMB'000	*RMB'000*
Wages and salaries	**17,187**	15,129
Retirement benefit costs	**1,010**	1,057
Other social welfare costs	**337**	938
	18,534	17,124

12. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) The remuneration of individual directors is set out below:

	Fees	**Salaries, allowances and benefits in kind**	**Pension scheme contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
2005				
Executive directors:				
Mr. Yang Xin Min	—	1,820	5	1,825
Mr. Li Fu Ping	—	174	2	176
Ms. Huang Yue Qin	—	460	2	462
Mr. Zhou Quan	—	174	2	176
Independent non-executive directors:				
Mr. Shi You Chun	60	—	—	60
Mr. Guo Jing Mao	60	—	—	60
Mr. Cheng Faat Ting Gary	73	—	—	73
	193	2,628	11	2,832

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

12. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS *(continued)*

(a) The remuneration of individual directors is set out below: *(continued)*

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
2004				
Executive directors:				
Mr. Yang Xin Min	—	1,800	7	1,807
Mr. Li Fu Ping	—	152	3	155
Ms. Huang Yue Qin	—	437	3	440
Mr. Zhou Quan	—	152	3	155
Independent non-executive directors:				
Mr. Shi You Chun	18	—	—	18
Mr. Guo Jing Mao	117	—	—	117
Mr. Cheng Faat Ting Gary	74	—	—	74
	209	2,541	16	2,766

There was no arrangement under which a director waived or agreed to waive any remuneration during the year. No directors have waived any remuneration during the years.

(b) Employees' remuneration

The five highest paid individuals during the year included four directors (2004: three directors), details of whose remuneration are set out in 12(a) above. Details of the remuneration of the remaining one (2004: two) highest paid individual for the year, which fell within the "Nil to RMB1,000,000" band, are as follows:

	The Group	
	2005	2004
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**562**	568
Bonuses paid and payable	**47**	29
Pension scheme contributions	**12**	13
	621	610

13. PROPERTY, PLANT AND EQUIPMENT

	The Group					
	Buildings	Machinery and equipment	Office equipment and fixtures	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost						
As at 1 January 2004	42,595	60,063	842	2,412	6,339	112,251
Additions	6,956	105,184	572	—	33,082	145,794
Transfers	8,767	143	—	—	(8,910)	—
At 31 December 2004 and at 1 January 2005	58,318	165,390	1,414	2,412	30,511	258,045
Additions	887	18,697	47	466	19,555	39,652
Transfers	39,005	—	—	—	(39,005)	—
Exchange difference	—	—	(22)	—	2	(20)
At 31 December 2005	98,210	184,087	1,439	2,878	11,063	297,677
Accumulated depreciation and impairment						
As at 1 January 2004	8,904	16,159	566	466	—	26,095
Charge for the year	1,981	6,958	211	468	—	9,618
At 31 December 2004 and at 1 January 2005	10,885	23,117	777	934	—	35,713
Charge for the year	3,367	9,544	277	509	—	13,697
Impairment loss	—	2,500	—	—	—	2,500
Exchange difference	—	—	(18)	—	—	(18)
At 31 December 2005	14,252	35,161	1,036	1,443	—	51,892
Net book value						
At 31 December 2005	83,958	148,926	403	1,435	11,063	245,785
At 31 December 2004	47,433	142,273	637	1,478	30,511	222,332

The property ownership certificates of certain buildings related with a thermal power plant as referred in note 26(c) were not yet updated as at the balance sheet date. The net book value of these buildings at 31 December 2005 was approximately RMB4.5 million.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

14. LAND USE RIGHTS

The Group's land use rights comprise:

	The Group	
	2005	2004
	RMB'000	*RMB'000*
Land located outside Hong Kong under medium-term lease	**54,946**	56,148

The land use right certificate of a parcel of land associated with a thermal power plant as referred in note 26(c) was not yet updated as at the balance sheet date. The total prepaid operating lease payments for this parcel of land at 31 December 2005 amounted to RMB5.7 million.

15. INTANGIBLE ASSETS

Technical know-how

	The Group	
	2005	2004
	RMB'000	*RMB'000*
Cost		
At 1 January	**5,000**	5,000
Write off during the year	**(800)**	—
At 31 December	**4,200**	5,000
Accumulated amortisation		
At 1 January	**1,500**	500
Charge for the year	**1,000**	1,000
Write back during the year	**(400)**	—
At 31 December	**2,100**	1,500
Net book value		
At 31 December	**2,100**	3,500

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

16. PREPAYMENTS AND DEPOSITS

	The Group	
	2005	2004
	RMB'000	*RMB'000*
		(Restated)
Prepayment for acquisition of land use rights	**7,220**	—
Deposits for purchase of machineries	**8,031**	14,512
	15,251	14,512

17. INVESTMENT IN SUBSIDIARIES

	The Company	
	2005	2004
	RMB'000	*RMB'000*
Unlisted shares	**31,836**	31,836
Amounts due from subsidiaries	**137,797**	70,679
	169,633	102,515

The carrying value of the unlisted shares is based on the underlying net tangible assets of the subsidiaries at the time when they became members of the Group.

The amounts due from subsidiaries are unsecured, non-interest bearing and the Company will not demand for repayment from respective subsidiaries within the next twelve months from the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

17. INVESTMENT IN SUBSIDIARIES *(continued)*

Details of the Company's subsidiaries as at 31 December 2005 and 2004 are as follows:

Name	Place and date of incorporation / establishment	Issued and fully paid share capital or registered capital	Proportion of nominal value of issued capital / registered capital held by the Group		Principal activities and place of operation
			Direct holding	*Indirect holding*	
Kingweston Technology Limited ("Kingweston")	British Virgin Islands 6 January 2000	US$2,500,000	100%	—	Investment holding in Hong Kong
Yixing Xinxing Zirconium Company Limited ("Yixing Zirconium") *(Note)*	The People's Republic of China 7 June 2000	US$10,500,000	—	100%	Research, development, manufacturing and sales of zirconium compounds, electronic materials, electronic ceramics and new energy materials in the PRC
Century Dragon Investment Limited ("Century Dragon")	Hong Kong 5 June 2000	HK$15,000,000 (2004: HK$100)	—	100%	Leasing of the Group's office premises in Hong Kong, provision of administrative services and general trading in Hong Kong
Yixing Better Batteries Co., Ltd. ("Better Batteries") *(Note)*	The People's Republic of China 5 January 2004	US$1,200,000	—	100%	Research, development, manufacturing and sales of batteries

Note: Yixing Zirconium and Better Batteries are foreign investment enterprises with an operating period of 30 years commencing on 7 June 2000 and on 5 January 2004, respectively.

18. INVENTORIES

	The Group	
	2005	2004
	RMB'000	*RMB'000*
Raw materials	**38,083**	9,175
Work in progress	**4,370**	7,326
Finished goods	**23,268**	15,515
	65,721	32,016

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

19. TRADE RECEIVABLES

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

	The Group	
	2005	2004
	RMB'000	*RMB'000*
0 - 90 days	**40,074**	32,723
91 - 180 days	**710**	4,362
181 - 365 days	**1,322**	—
More than 1 year	**358**	—
	42,464	37,085

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.

20. PREPAYMENTS AND OTHER RECEIVABLES

	The Group		The Company	
	2005	2004	**2005**	2004
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		
Due from a director *(Note (a))*	—	—	—	327
Due from a subsidiary *(Note (b))*	—	—	**11,472**	92,927
Prepayments and other receivables	**43,723**	45,290	**234**	194
Dividend income receivable	—	—	**14,574**	14,894
	43,723	45,290	**26,280**	108,342

(a) Particulars of the amount due from a director, disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance, are as follows:

Name of director	**Interest rate**	**Terms**	**Security**	**Balance at 1.1.2005**	**Maximum balance**	**Balance at 31.12.2005**
				RMB'000	*RMB'000*	*RMB'000*
Mr. Yang Xin Min	Nil	Repayable on demand	Nil	327	327	Nil

(b) The amount due is non-trade in nature, unsecured, non-interest bearing and callable on demand.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

21. CASH AND BANK BALANCES

	The Group	
	2005	2004
	RMB'000	*RMB'000*
Cash on hand	**211**	4,672
Cash in banks	**140,009**	109,890
	140,220	114,562

As at 31 December 2005, approximately RMB48,547,000 (2004: RMB25,673,000) of the Group's cash and bank balances were denominated in Renminbi ("RMB") and kept in the PRC. The conversion and remittance of Renminbi denominated balances into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government.

The directors consider the cash and bank balances approximates its fair value.

22. TRADE AND BILL PAYABLES

Aging analysis of trade and bill payables is as follows:

	The Group	
	2005	2004
	RMB'000	*RMB'000*
		(Restated)
0 - 90 days	**37,882**	8,432
91 - 180 days	**266**	418
181 - 365 days	**1,163**	707
More than 1 year	**2,214**	1,208
	41,525	10,765

Bill payables represent trust receipt loans from bank. The amount of bill payables as at 31 December 2005 is approximately RMB26,525,000 (2004: Nil). The effective interest rate is around 6.1% (2004: Nil) during the year, and the amount is repayable within one year.

23. ACCRUALS AND OTHER PAYABLES

	The Group		The Company	
	2005	2004	**2005**	2004
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Due to a related company *(Note (a))*	**1,138**	1,138	**—**	—
Due to directors *(Note (a))*	**3,341**	5,191	**263**	61
Due to other related party *(Note (a))*	**489**	—	**489**	—
Salary and welfare payables	**15,622**	14,877	**—**	—
Value added tax payable	**1,758**	3,324	**—**	—
Accruals and other payables	**20,374**	13,413	**475**	722
	42,722	37,943	**1,227**	783

(a) The amounts due are non-trade in nature, unsecured, non-interest bearing and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

24. SHARE CAPITAL

	Number of shares		Ordinary share capital			
	2005	2004	**2005**		2004	
			HK$	***RMB***	*HK$*	*RMB*
Ordinary shares of HK$0.1 each:						
Authorised:	**1,000,000,000**	1,000,000,000	**100,000,000**	**106,000,000**	100,000,000	106,000,000
Issued and fully paid:						
At beginning of year	**504,170,946**	400,000,000	**50,417,095**	**53,528,821**	40,000,000	42,449,700
Issue of shares upon placing	—	47,000,000	—	—	4,700,000	4,998,928
Issue of shares upon acquisition of a thermal power plant	—	55,170,946	—	—	5,517,095	5,867,992
Exercise of share options	—	2,000,000	—	—	200,000	212,201
At end of year	**504,170,946**	504,170,946	**50,417,095**	**53,528,821**	50,417,095	53,528,821

Details of changes in the share capital of the Company in previous year are as follows:

(a) Pursuant to a placing agreement dated 3 February 2004 entered into between Mr. Yang Xin Min ("Mr. Yang"), a substantial shareholder of the Company, and a placing agent, 47,000,000 existing ordinary shares of HK$0.1 each in the Company were placed to independent investors at a price of HK$1.17 per share. Upon completion of the placement of shares and pursuant to a subscription agreement entered into between the Company and Mr. Yang, Mr. Yang subscribed for 47,000,000 new ordinary shares of HK$0.1 each in the Company at a price of HK$1.17 per share.

(b) On 13 February 2004, Yixing Zirconium, a wholly-owned subsidiary of the Group, entered into an acquisition agreement (the "Agreement") with Jiangsu Xinxing Chemicals Group Corporation ("Xinxing Chemicals Group"), a privately-owned enterprise wholly owned by Mr. Yang Xin Min, a substantial shareholder and director of the Company. Pursuant to the Agreement, Yixing Zirconium agreed to acquire the electricity and steam generating plant and related facilities from Xinxing Chemicals Group at the consideration of approximately RMB77,780,000, which was satisfied by the issue of the 55,170,946 ordinary shares of HK$0.1 each of the Company to Mr. Yang Xin Min.

(c) During the year 2004, 2,000,000 ordinary shares of HK$0.1 each of the Company were issued at HK$0.87 per share as a result of the exercise of share options of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

25. CAPITAL COMMITMENTS

	The Group	
	2005	2004
	RMB'000	*RMB'000*
Contracted but not provided for		
— purchases of plant and machineries	**3,967**	5,637
— construction in progress	**9,051**	4,285

26. RELATED PARTIES TRANSACTIONS

In addition to the transaction and balances disclosed elsewhere in these financial statements, during the year, in the normal course of business, the Group entered into significant transactions with its related parties as summarised below:

		The Group	
		2005	2004
		RMB'000	*RMB'000*
Electricity supply from a related company	*(a)*	—	2,306
Steam supply from a related company	*(a)*	—	4,351
Water supply from a related party	*(b)*	**2,131**	2,116
Purchase of a thermal power plant from a related company	*(c)*	—	77,780

(a) Yixing Zirconium and Jiangsu Xinxing Chemicals Group Corporation ("Xinxing Chemicals Group"), a privately-owned enterprise wholly owned by Mr. Yang Xin Min who is the substantial shareholder and director of the Company, has entered into an electricity and steam supply agreement dated 1 September 2000 and two supplemental agreements. Pursuant to these agreements, the supply of electricity and steam are conducted on commercial terms in the normal course of business of the related company. No electricity charge and steam fee paid to the related company for the year ended 31 December 2005 as the Power Plant was an integral part of Yixing Zirconium during the year.

(b) 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, for manufacturing purposes. 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 spouse of Mr. Yang Xin Min), is the legal representative of the Water Plant.

26. RELATED PARTIES TRANSACTIONS *(continued)*

(c) Yixing Zirconium entered into an acquisition agreement with Yixing Chemicals Group on 13 February 2004 to acquire a thermal power plant and the related facilities ("Power Plant") at a consideration of approximately RMB77,780,000, based on the valuation by an independent certified valuer. The consideration was satisfied by the issue of 55,170,946 ordinary shares by the Company to Mr. Yang Xin Min.

The acquisition was conducted in the ordinary and usual course of business of the Group. As the acquisition will reduce production cost, ensure stable and continuous electricity and steam supply to the Group's production facilities, thus enhancing the Group's earning capacity in the long run, the directors and independent non-executive directors considered that the transaction was fair and reasonable and in the interest of the Group. Details of the acquisition agreement were set out in the Group's press announcement dated 17 February 2004 and circular dated 10 March 2004.

(d) Pursuant to a trademark licensing agreement dated 12 July 2000 entered into between Yixing Zirconium and a related company, the latter has agreed to grant an exclusive license to the former or the Group to use the "Long Jing" trademarks in the PRC, the USA and Japan respectively, during their respective legally valid periods at nil consideration.

(e) The key management personnel compensation paid by the Group during the year is disclosed in note 12 to the financial statements.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and bank balances, trade receivables, and trade and bill payables.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. Generally, the Group introduces conservative strategies on its risk management. The Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The directors review and agree policies for managing each of these risks and they are summarised as follows:

(i) Foreign currency risk

The Group is exposed to foreign currency risk primarily through currency exposures in sales and purchases that are denominated in United States Dollars ("USD") with respect of RMB which is the Group's functional currency. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities. The Company has not hedged its foreign currency exposure.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(continued)

(ii) Credit risk

The Group's credit risk is primarily attributable to trade receivables. Management has policies in place to ensure that the sales of products are made to customers with an appropriate credit history.

At the balance sheet date, the Group has a certain concentration of credit risk as 9% (2004: 10%) and 52% (2004: 40%) of total trade receivables was due from the Group's largest customer and the five largest customers respectively.

The Group's maximum exposure to credit risk is represented by the carrying amount of each financial asset, including trade receivables in the consolidated balance sheet. Except for the corporate guarantee given by the Company in respect of banking facilities granted to a subsidiary as disclosed in note 28, the Group does not provide any other guarantees which would expose the Group to credit risk.

(iii) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investments of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent Company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

28. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 31 December 2005 (2004: Nil).

At 31 December 2005, the Company had provided corporate guarantee to the extent of approximately RMB31 million (2004: RMB31 million) for banking facilities granted to a subsidiary. At balance sheet date, the amount of banking facilities utilised by the subsidiary is RMB26,525,000 (2004: Nil)

29. OPERATING LEASE COMMITMENTS

At 31 December 2005, the Group has outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2005	2004
	RMB'000	*RMB'000*
Within one year	**7,427**	433
After one year but within five years	**—**	253
	7,427	686

30. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme ("the MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the plan vest immediately.

In addition to the participation in the MPF Scheme, the Group is required to contribute to a defined contribution retirement scheme for its employees in the PRC based on the applicable basis and rates with the relevant government regulations.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

31. EQUITY-SETTLED SHARE-BASED PAYMENTS

Share options

Pursuant to the written resolution by the shareholders of the Company on 24 September 2002, the Share Option Scheme (the "Scheme") was approved and adopted and, 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 Scheme will expire on 23 September 2012.

Details of outstanding share options which have been granted under the Scheme at the beginning and at the end of the year ended 31 December 2004 were as follows:

				Number of share options			
	Date of Grant	Exercise Period	Subscription Price Per Share	Outstanding as at 1 January 2004	Granted during the Year	Exercised during the Year	Outstanding as at 31 Deecember 2004
Employee	1 November 2002	1 May 2003 to 13 August 2004	HK$0.87	2,000,000	—	2,000,000	—

For the Option exercised during the year ended 31 December 2004, the weighted average share price at the date of exercise is HK$1.11 per share at the date of exercise. No Option was outstanding as at 31 December 2005 and no option was granted during the year then ended.

Acquisition of a thermal power plant

The Group has acquired a Power Plant from a related party during the year ended 31 December 2004 by allotting 55,170,946 ordinary shares of the C ompany to Mr. Yang Xin Min. The Power Plant's fair value of approximately RMB77,780,000 was based on the valuation by an independent certified valuer. Details of this equity-settled share-based transaction are disclosed in note 26(c) to the financial statements.

32. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Critical accounting estimate on depreciation charges

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment (note 13). The estimate is based on projected lifecycles for its property, plant and equipment. It could change significantly as a result of technical innovations in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(ii) Critical judgement in applying accounting policies

The titles of certain buildings and a parcel of land related to a thermal power plant acquired from a related party as referred in note 26(c) were not transferred to the Group as at 31 December 2005. Despite the fact that the Group has not obtained the relevant legal titles, the Group's management determine to recognise those buildings and prepaid lease payments as property, plant and equipment and land use right, respectively, on the grounds that they expect the transfer of legal titles in future should have no major difficulties and the Group is in substance controlling those buildings and that parcel of land.

The carrying value of the relevant buildings and prepaid lease payment for the land as at 31 December 2005 were RMB4.5 million and RMB5.7 million, respectively.

33. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation. The changes include the reclassification of certain deposits paid by the Group previously classified under prepayments and other receivables to non-current prepayments and deposits (note 16), and the resultant changes to the consolidated cash flow statements. The new classification of the above items is considered a more appropriate presentation of the state of affairs of the Group.

34. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 10 April 2006.