

Chairman's Statement

Dear Shareholders,

Gross domestic product growth is continuing at a very high rate in China. The growth rate in the final three months of last year was even more rapid, up 9.9%. China's performance makes it the fastest growing among the world's major economies, outpacing the United States and far ahead of sluggish Japan. Envision of the rapid growing market in China, foreign investment has soared in this favourable investment environment to look for business opportunities. Moreover, with average income per capital rise, private ownership of automobile in major Chinese cities has begun to surge. This has chivied not only international automobile manufacturers but also the top radial tyre manufacturers moving their production bases to China one after another. In addition, we believe that the Chinese development of higher quality roads and expressway network and the pioneering of the western region have begotten significant increase in road transportation of goods and populace. According to National Bureau of Statistics of China, approximately 4,639 kilometers of freeway were added to the freeway network during 2003 and there was totaling of 2,980,000 kilometers of freeway in China. These macroeconomic factors set the stage for great opportunity and broad vistas for the development of the radial tyre industry, which in turn will benefit the manufacturing of steel cord. As such, our Company, an auto parts and components manufacturer for making steel cord for radial tyres can take advantage from these favourable conditions. Further, the radialization (the penetration rate of radial tyres) in China in 2003 was just 47.4%, relatively low as compared to over 90% in Japan and other Western countries. China turned out 4,440,000 vehicles of all types in 2003, a 36.8% increase on 2002, of which sedans accounted for 2,200,000 units – an increase of 83.25% (Sources: National Bureau of Statistics of China and China Rubber Industrial Association). Despite the recent announcement of certain fine-tuning measures on automobile industry by the Central Government, we are sanguine that the persistent economic growth and radialization of tyres in China will forge ahead, nourishing peripheral industries like steel cord manufacturing along the way.

In 2003, we implemented expansion plans in our core businesses – steel cord manufacturing – in anticipation of the encouraging growth in road transportation in China as a whole. We successfully increased our annual production capacity in our steel cord business by 36% from 10,000 tonnes to 13,600 tonnes. The expansion plan of annual production capacity to 30,000 tonnes of steel cord is under way and is expected to complete in June 2004. In addition to the above, we acquired the remaining 28.24% equity interest in the business segment of steel cord from minority shareholders in October 2003 and started to enjoy its whole profit. As a result, we achieved satisfactory results for the year under review.

For the year ended 31 December 2003, our Group reported a net profit attributable to shareholders of HK\$66,092,000, an increase of 55.6% when compared to the corresponding net profit of HK\$42,481,000 for the year ended 31 December 2002. The return on average shareholders' equity was 12.7%. Owing to the fruitful results, our board of the directors has recommended a final dividend of HK2.0 cents per share. Total dividend, including the HK1.5 cents interim dividend per share, amounts to HK3.5 cents per share, representing a dividend payout ratio of 46.67%.

Further information in relation to the Company's operating performance during 2003 is disclosed in the Management Discussion and Analysis section in this annual report.

Last but not least, management and I would like to express our sincerely appreciation for your encouragement and support during the year.

By Order of the Board

Cao Zhong

Chairman

Hong Kong

19 April 2004