

Chairman's Statement

Dear Shareholders,

Business Performance

I am pleased to announce that the turnover of the Group rose by 43.9% to HK\$427,864,000 for the year ended 31 December 2004. This increase was due to the rise of demand in our steel cord and copper and brass products after the completion of expansion of annual production capacity from 13,000 tonnes to 30,000 tonnes for our steel cord segment and increased sales by an enlarged customer base contributed by our Dongguan copper plant.

It was encouraging that the Group recorded a net profit attributable to shareholders of HK\$148,114,000, the greatest amount since its inception, an increase of 124.1% when compared with the corresponding net profit of HK\$66,092,000 for the year ended 31 December 2003. However, when we excluded the net gain (from realization of negative goodwill and exchange loss on translation reserve) of HK\$63,263,000 arising from disposal of subsidiaries and jointly controlled entities (the non-core businesses) from which we had ceased the operation in previous years, the net profit attributable to shareholders was HK\$84,851,000, representing a rise of 28.4% over that of the previous year. Whilst such growth rate was still satisfactory, it was not as remarkable as the last two years, due to the following factors: (1) the slow-down of the development of automobile industry and the fall in price, hence, depressed the selling price of auto component products; and (2) the unfathomable rise in steel and metal prices which discernibly increased our cost of production.

Looking Ahead

Despite facing the intensive operating environment, we remain fully confident in our steel cord business in the longer term in view of:

1. rapid growth in economy of China and the continuous increasing demand for heavy trucks as a result of the rise in land transportation;
2. the living standard of the people in China and their personal disposable income boost the demand for motor vehicles for civilian use (the total output of motor vehicles in China reached 5,074,000 units in 2004, a 14.2% increase on 2003), in particular in sedan demand (2,314,000 units in 2004, a 11.7% increase on 2003) (Source: National Bureau of Statistics of China);
3. the planned development of higher quality roads and expressway network by the PRC Government which benefits further development of automobile industry;

Looking Ahead (continued)

4. the radicalisation ratio (penetration rate) in China is still relatively low (2004: approximately 50%), an ample room for development; and
5. demand and supply of raw materials is reaching equilibrium, which will stabilize the price of raw materials and therefore reduce the cost of production of our Group.

Owing to the above positive factors, we have begun our preparation to increase our steel cord annual production capacity to 45,000 tonnes. As for the copper and brass products segment, the continued improvement in economic condition and the construction of a new plant catering for domestic PRC customers will bring positive impact to the Group in the forthcoming years.

Dividend

To share the Group's results with your long-term continual support, we are committed to maintain our dividend payout policy. Hence, the board of the directors (the "Board") has recommended a final dividend of HK1.5 cents per share. Total dividend, including the HK2.0 cents interim dividend per share with scrip option, amounts to HK3.5 cents per share, representing a dividend payout ratio of approximately 24%. This recommendation balances the management's view of its projected cash flow for 2005, its current cash position, the financial need for further expansion on our annual production capacity of steel cord to 45,000 tonnes as mentioned beforehand and the wish of the Company's shareholders.

Acknowledgements

On behalf of the Board, we wish to thank all our customers, suppliers and shareholders for their continuous support. We would also like to thank our team of dedicated staff for their invaluable service and contribution throughout the year.

By Order of the Board

Cao Zhong
Chairman

Hong Kong
18 April 2005