

We are delighted that the Group achieved satisfactory performance despite the general market downturn in the People's Republic of China ("PRC") special steel market. We have been able to maintain a relatively stable profit margin as of the end of 2004. The successful listing of the Group in Hong Kong in May this year has greatly sped up our business development and strengthen the Group's leading position in the steel market in PRC.

During the period, bearing steel remained as the main income source of the Group. Its contribution to the Group's turnover increased from 73% in the first half of 2004 to 92% in the first half of 2005. When compared to first half of 2004, sales volume of special steel products increased by 27% to approximately 116,442 tonnes. The Group have implemented a flexible product mix with an emphasis on high profit margin products.

The Group was listed in Hong Kong in May this year, raising a net proceed of approximately RMB252 million, out of which approximately RMB99 million and RMB95 million were intended for equipment refinement and bank loan repayment respectively. Aiming at enhancing the production capacity, initiatives relating to equipment refinement has progressed as planned during the period. The Group also repaid RMB95 million of bank loan during the period to resolve the cross-guarantee commitment. Gearing ratio decreased from 96% as at the year end of 2004 to 36% as at the first half of 2005.