

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2006

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, respectively.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the annual financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2005 except as described below.

In the current period, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods have been prepared and presented:

Financial guarantee contracts

In the current period, the Group has applied HKAS 39 and HKFRS 4 (Amendments) "Financial Guarantee Contracts" which is effective for annual periods beginning on or after 1 January 2006.

A financial guarantee contract is defined by HKAS 39 "Financial Instruments: Recognition and Measurement" ("HKAS 39") as "a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument".

The Group acts as the issuer of the financial guarantee contracts

Prior to 1 January 2006, financial guarantee contracts were not accounted for in accordance with HKAS 39 and those contracts were disclosed as contingent liabilities. A provision for a financial guarantee was only recognised when it was probable that an outflow of resources would be required to settle the financial guarantee obligation and the amount can be estimated reliably.





NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2006

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial guarantee contracts (continued)

Upon the application of these amendments, a financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue".

In relation to a financial guarantee granted to a bank over the repayment of a loan by a jointly controlled entity, the Group has applied the transitional provisions in HKAS 39. This change in accounting policy has had no material effect on the Group's results for the current and prior accounting periods.

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective. The directors of the Company anticipate that the application of these HKFRSs will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures ¹
HKFRS 7	Financial Instruments: Disclosures ¹
HK(IFRIC) – INT 7	Applying the Restatement Approach under HKAS 29 "Financial Reporting in Hyperinflationary Economies" ²
HK(IFRIC) – INT 8	Scope of HKFRS 2 ³
HK(IFRIC) – INT 9	Reassessment of Embedded Derivatives ⁴

¹ Effective for annual periods beginning on or after 1 January 2007

² Effective for annual periods beginning on or after 1 March 2006

³ Effective for annual periods beginning on or after 1 May 2006

⁴ Effective for annual periods beginning on or after 1 June 2006

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2006

4. SEGMENT INFORMATION**Business segments**

The Group's primary format for reporting segment information is business segments.

For the six months ended 30 June 2006

	Steel cord (Unaudited) HK\$'000	Copper and brass products (Unaudited) HK\$'000	Others (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Segment revenue	<u>198,259</u>	<u>123,628</u>	<u>706</u>	<u>322,593</u>
Segment results	<u>35,417</u>	<u>25,894</u>	<u>62</u>	<u>61,373</u>
Unallocated corporate income				1,658
Unallocated corporate expenses				(12,013)
Share of profit of a jointly controlled entity	-	-	4,507	4,507
Share of profit of an associate	-	-	3,082	3,082
Finance costs				<u>(9,021)</u>
Profit before taxation				<u>49,586</u>
Income tax expenses				<u>(4,879)</u>
Profit for the period				<u><u>44,707</u></u>



**NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)**

For the six months ended 30 June 2006

4. SEGMENT INFORMATION (continued)

For the six months ended 30 June 2005 (restated)

	Steel cord (Unaudited) HK\$'000	Copper and brass products (Unaudited) HK\$'000	Others (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Segment revenue	194,353	74,452	726	269,531
Segment results	42,818	3,315	(130)	46,003
Unallocated corporate income				111
Unallocated corporate expenses				(8,909)
Share of profit of a jointly controlled entity	-	-	5,989	5,989
Share of profit of an associate	-	-	2,156	2,156
Finance costs				(6,034)
Profit before taxation				39,316
Income tax expenses				(3,200)
Profit for the period				36,116

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2006

5. FINANCE COSTS

	Six months ended 30 June	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Interest expenses on bank and other borrowings wholly repayable within five years	8,478	5,880
Other finance costs	543	154
	9,021	6,034

6. INCOME TAX EXPENSES

	Six months ended 30 June	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
The charge comprises:		
Current tax:		
Hong Kong	500	–
Other regions in the People's Republic of China (the "PRC")	4,486	2,897
	4,986	2,897
Under provision in prior years:		
Hong Kong	2	–
Other regions in the PRC	29	–
	31	–
Deferred taxation	(138)	303
Taxation attributable to the Company and its subsidiaries	4,879	3,200



**NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)**

For the six months ended 30 June 2006

6. INCOME TAX EXPENSES (continued)

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the six months ended 30 June 2006.

No tax is payable on the profit for the six months ended 30 June 2005 arising in Hong Kong since the assessable profit is wholly absorbed by tax losses brought forward.

PRC Enterprise Income Tax is calculated at the applicable tax rates on the estimated assessable income for the period based on existing legislation, interpretation and practices in respect thereof. In accordance with the relevant tax rules and regulations in the PRC, certain of the Group's subsidiaries in the PRC are eligible for certain tax exemptions and concessions.

7. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Profit for the period is arrived at after charging:		
Depreciation of property, plant and equipment	19,887	19,180
Amortisation of prepaid lease payments (included in "Cost of sales")	214	196
Net foreign exchange losses	–	356
Share of tax of a jointly controlled entity (included in "Share of profit of a jointly controlled entity")	834	1,107
Share of tax of an associate (included in "Share of profit of an associate")	1,598	1,118
and after crediting:		
Net foreign exchange gains	2,029	–
Interest income from bank deposits	463	101
Gain on disposal of property, plant and equipment	254	–

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For the six months ended 30 June 2006

8. DIVIDENDS

No dividend was paid during the six months ended 30 June 2006. For the six months ended 30 June 2005, a dividend of HK1.5 cents per share in cash was paid to shareholders as the final dividend for the year ended 31 December 2004.

The directors do not recommend the payment of interim dividend for the six months ended 30 June 2006.

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings		
Profit for the period for the purpose of basic and diluted earnings per share	44,707	36,116
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,026,066,556	1,026,066,556
Effect of dilutive potential ordinary shares: Share options	54,287,289	65,600,977
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,080,353,845	1,091,667,533



**NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)**

For the six months ended 30 June 2006

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the period, the Group acquired property, plant and equipment amounting to approximately HK\$981,000.

During the period, the Group has reclassified an investment property with a carrying amount of HK\$930,000 to property, plant and equipment.

At 30 June 2006, the directors considered the carrying amount of the Group's investment properties carried at fair value and leasehold land and buildings carried at revalued amounts respectively, and estimated that the carrying amounts do not differ significantly from that which would be determined using fair value and revalued amounts at 30 June 2006. Consequently, no change in fair value or revaluation surplus or deficit has been recognised in the current period.

11. TRADE RECEIVABLES

The Group normally allows an average credit period of 30 to 120 days to its trade customers.

The following is an aged analysis of trade receivables at the balance sheet date:

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
0 – 90 days	141,102	118,322
91 – 180 days	21,821	21,850
Over 180 days	2,913	–
	165,836	140,172

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2006

12. AMOUNT DUE FROM (TO) A RELATED COMPANY/LOAN FROM A RELATED COMPANY

	<i>Notes</i>	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
Amount due from a related company – due within one year:			
A subsidiary of Shougang Concord Technology Holdings Limited ("Shougang TECH")	(a)	<u>3,884</u>	<u>1,497</u>
Amount due to a related company – due within one year:			
A subsidiary of Shougang Holding (Hong Kong) Limited ("Shougang HK")	(a)	<u>43,714</u>	<u>–</u>
Loan from a related company – due after one year:			
A subsidiary of Shougang HK	(b)	<u>30,000</u>	<u>–</u>

Notes:

- (a) The amounts are unsecured, non-interest bearing and are repayable on demand.
- (b) The amount is unsecured, interest bearing at 5.825% per annum and is repayable on 30 March 2008.



**NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)**

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13. TRADE PAYABLES

The following is an aged analysis of trade payables at the balance sheet date:

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
0 – 90 days	7,559	9,172
91 – 180 days	108	87
Over 180 days	145	25
	7,812	9,284

14. BANK BORROWINGS

During the period, the Group obtained new bank borrowings of approximately HK\$263,981,000 and repaid bank borrowings of approximately HK\$254,516,000. The loans bear interest ranging from 2.64% to 7.45% per annum and are repayable over a period of one to two years.

15. SHARE CAPITAL

Ordinary shares of HK\$0.10 each

	Number of shares '000	Share capital HK\$'000
Authorised:		
At 1 January 2006 and 30 June 2006	<u>2,000,000</u>	<u>200,000</u>
Issued and fully paid:		
At 1 January 2006 and 30 June 2006	<u>1,026,067</u>	<u>102,607</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2006

16. CAPITAL COMMITMENTS

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
Commitments in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements	2,999	194

17. FINANCIAL GUARANTEE CONTRACT

As at 30 June 2006, the Group has given guarantees amounting to approximately HK\$11,050,000 (31 December 2005: HK\$10,935,000) for bank loans granted to a jointly controlled entity.

18. RELATED PARTY TRANSACTIONS**Trading transaction**

During the period, the Group had the following transactions with Shougang HK and its subsidiaries (collectively the "Shougang HK Group"), Shougang TECH and its subsidiaries (collectively the "Shougang TECH Group") and a jointly controlled entity. Shougang HK is the substantial shareholder of the Company and Shougang TECH.

	Six months ended 30 June 2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Consultancy fees paid to Shougang HK Group	480	480
Sales to Shougang TECH Group	4,341	2,447
Interest paid/payable to Shougang HK Group	440	–
Rental expenses paid to Shougang HK Group	761	540
Corporate guarantees for bank loans granted to a jointly controlled entity	11,050	10,721



**NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)**

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18. RELATED PARTY TRANSACTIONS (continued)**Compensation of key management personnel**

The key management of the Group comprise all directors of the Company, details of their emoluments were as follows:

	Six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Short-term benefits	3,234	2,859

The emoluments of the directors of the Company are decided by the Remuneration Committee having regard to individual's performance, the Group's performance and profitability, remuneration benchmark in the industry and prevailing market condition.

19. POST BALANCE SHEET EVENT

On 28 March 2006, the Group together with shareholders of other non-freely transferable shares (the "Non-freely Transferable Shareholders") of Xinhua Metal Products Co., Ltd. ("Xinhua Metal"), an associate of the Group, made a proposal for the conversion of the non-freely transferable shares of Xinhua Metal into shares freely transferable on the Shanghai Stock Exchange (the "Xinhua Metal Share Reform Plan"). No approval had been obtained for the Xinhua Metal Share Reform Plan at the shareholders meeting of Xinhua Metal on 11 April 2006.

All the Non-freely Transferable Shareholders revised the Xinhua Metal Share Reform Plan which was approved by the relevant shareholders of Xinhua Metal on 12 September 2006. The Group's interest in Xinhua Metal will be diluted from approximately 16.76% to 14.49%. Based on the carrying value of interest in Xinhua Metal as at 30 June 2006, the dilution will result in a deemed loss of approximately HK\$6,500,000.