NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2005

1. Basis of preparation

The condensed 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 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 financial statements have been prepared on the historical cost basis except for certain properties which are measured at fair values or revalued amount, as appropriate.

The accounting policies used in the condensed 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 2004 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of share of tax of associates/jointly controlled entities has been changed. The changes in presentation have been applied retrospectively. 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 are prepared and presented:

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2005

2. Significant accounting policies (continued)

Goodwill

In the current period, the Group has applied HKFRS 3 "Business Combinations" and the principal effects of the application of HKFRS 3 to the Group are summarised below:

In previous periods, goodwill arising on acquisitions prior to 1 January 2001 was held in reserves, and goodwill arising on acquisitions after 1 January 2001 was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. Goodwill previously recognised in reserves has been transferred to the Group's retained profits on 1 January 2005. With respect to goodwill previously capitalised on the balance sheet, the Group has discontinued amortising such goodwill from 1 January 2005 onwards and goodwill will be tested for impairment at least annually/in the financial year in which the acquisition takes place. Goodwill arising on acquisitions after 1 January 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current period. Comparative figures for 2004 have not been restated.

Financial instruments

In the current period, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2005

2. Significant accounting policies (continued)

Financial instruments (continued)

Classification and measurement of financial assets and financial liabilities (continued)

By 31 December 2004, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 ("SSAP 24"). Under SSAP 24, investments in debt or equity securities are classified as "investment securities", "other investments" or "held-to-maturity investments" as appropriate. "Investment securities" are carried at cost less impairment losses (if any) while "other investments" are measured at fair value, with unrealised gains and losses included in the profit or loss. "Held-to-maturity investments" are carried at amortised cost less impairment losses (if any). From 1 January 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". The classification depends on the purpose for which the assets are acquired. "Financial assets at fair value through profit or loss" are carried at fair value, with changes in fair values recognised in profit or loss. "Loan and receivables" and "held-to-maturity financial assets" are measured at amortised cost using effective interest method.

Financial assets classified as "available-for-sale" are carried at fair value with changes in fair value recognised in equity except for investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost less impairment losses (if any).

On 1 January 2005, the Group classified and measured its debt and equity securities in accordance with the requirements of HKAS 39. The Group's investment in certain unlisted equity securities were fully impaired in previous years. These securities are now classified as "available-for-sale financial assets" and are carried at cost less impairment losses as their value cannot be reliably measured. This change has had no effect on the Group's retained profits at 1 January 2005.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2005

2. Significant accounting policies (continued)

Derivatives

From 1 January 2005 onwards, all derivatives that are within the scope of HKAS 39 are required to be carried at fair value at each balance sheet date regardless of whether they are deemed as held for trading or designated as effective hedging instruments. Under HKAS 39, derivatives (including embedded derivatives separately accounted for from the host contracts) are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. The corresponding adjustments on changes in fair values would depend on whether the derivatives are designated as effective hedging instruments, and if so, the nature of the item being hedged. For derivatives that are deemed as held for trading, changes in fair values of such derivatives are recognised in profit or loss for the period in which they arise.

As at 1 January 2005, the Group did not have derivative outstanding, accordingly, the adoption of HKAS 39 has had no effect on the Group's financial statements as at 1 January 2005.

Owner-occupied leasehold interest in land

In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the revaluation model. In the current period, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. Alternatively, where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment.

This change in accounting policy has been applied retrospectively (see Note 3 for the financial impact).

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2005

2. Significant accounting policies (continued)

Investment properties

In the current period, the Group has, for the first time, applied HKAS 40 "Investment Property". The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the period in which they arise. In previous periods, investment properties under the predecessor Standard were measured at open market values, with revaluation surplus or deficit credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation increase subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1 January 2005 onwards. This change has had no material effect on the Group's retained profits at 1 January 2005.

Deferred taxes related to investment properties

In previous periods, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequences that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor Interpretation. In the current period, the Group has applied HKAS Interpretation 21 "Income Taxes – Recovery of Revalued Non-Depreciable Assets" which removes the presumption that the carrying amount of investment properties are to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the amount of the property at each balance sheet date. This change has had no material effect on the Group's retained profits at 1 January 2005.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2005

3. Summary of the effects of the changes in accounting policies

The effects of the changes in the accounting policies described above on the results for the current and prior periods are as follows:

	Six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Decrease in amortisation of goodwill	**1,111**	–
Decrease in amortisation of prepaid lease payments	**234**	206
Increase in profit for the period	**1,345**	206

The cumulative effects of the application of the new HKFRSs as at 31 December 2004 and 1 January 2005 are summarised below:

	As at 31 December 2004 (Originally stated)	Adjustment	As at 31 December 2004 (Restated)	Adjustment	As at 1 January 2005 (Restated)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance sheet items					
Land use rights	16,981	(16,981)	–	–	–
Prepaid lease payments	–	7,624	7,624	–	7,624
Deferred tax assets	–	16	16	–	16
Deferred tax liabilities	(1,426)	1,426	–	–	–
Retained profits	212,690	(245)	212,445	(33,112)	179,333
Goodwill reserve	(33,112)	–	(33,112)	33,112	–
Land use rights revaluation reserve	7,663	(7,663)	–	–	–
Translation reserve	5,135	(7)	5,128	–	5,128

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2005

3. Summary of the effects of the changes in accounting policies (continued)

The financial effects of the application of the new HKFRSs to the Group's equity at 1 January 2004 are summarised below:

	As originally stated *HK$'000*	Adjustment *HK$'000*	As restated *HK$'000*
Retained profits	107,219	(655)	106,564
Land use rights revaluation reserve	6,991	(6,991)	–
Translation reserve	(13,643)	(7)	(13,650)

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 financial statements of the Group.

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
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS-Interpretation 4	Determining whether an Arrangement Contains a Lease
HKFRS-Interpretation 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2005

4. Segment information

Business segments

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

Six months ended 30 June 2005

	Steel cord (Unaudited) *HK$'000*	Copper and brass products (Unaudited) *HK$'000*	Corporate and others (Unaudited) *HK$'000*	Consolidated (Unaudited) *HK$'000*
Segment turnover	194,353	74,452	726	269,531
Segment results	41,254	2,564	(6,713)	37,105
Unallocated corporate income and expenses, net				100
Profit from operations				37,205
Finance costs				(6,034)
Share of result of a jointly controlled entity	–	–	5,989	5,989
Share of result of an associate	–	–	2,156	2,156
Profit before taxation				39,316
Income tax expenses				(3,200)
Net profit for the period				36,116

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2005

4. Segment information (continued)

Six months ended 30 June 2004

	Steel cord (Unaudited) *HK$'000* (Restated)	Copper and brass products (Unaudited) *HK$'000*	Corporate and others (Unaudited) *HK$'000* (Restated)	Consolidated (Unaudited) *HK$'000* (Restated)
Segment turnover	112,377	79,242	384	192,003
Segment results	45,153	8,332	(6,638)	46,847
Unallocated corporate income and expenses, net				(1,049)
Profit from operations				45,798
Finance costs				(1,544)
Share of results of jointly controlled entities	–	–	2,245	2,245
Share of result of an associate	–	–	1,361	1,361
Profit before taxation				47,860
Income tax expenses				(3,242)
Net profit for the period				44,618

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2005

5. Profit from operations

Profit from operations is arrived at after charging:

	Six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
		(Restated)
Depreciation of property, plant and equipment	**19,180**	12,556
Amortisation of goodwill (included in other expenses)	**–**	1,111
Total depreciation and amortisation	**19,180**	13,667
Amortisation of prepaid lease payments	**196**	180
Share of tax of a jointly controlled entity (included in share of results of jointly controlled entities)	**1,107**	428
Share of tax of an associate (included in share of result of an associate)	**1,118**	320

6. Finance costs

	Six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest expenses on:		
Bank and other borrowings wholly repayable within five years	**5,880**	1,520
Obligations under finance leases wholly repayable within five years	**4**	24
Other finance costs	**150**	–
	6,034	1,544

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2005

7. Income tax expenses

	Six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
		(Restated)
The charge comprises:		
The People's Republic of China (the "PRC") Enterprise Income Tax	**2,897**	3,402
Deferred taxation	**303**	(160)
Taxation attributable to the Company and its subsidiaries	**3,200**	3,242

No tax is payable on the profit for the period 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 Company's subsidiaries in the PRC are eligible for certain tax exemptions and concessions.

8. Dividends

	Six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Ordinary shares:		
Final dividend paid and payable – HK1.5 cents per share (2004: HK2.0 cents per share)	**15,391**	20,351

The directors do not recommend the payment of interim dividend for the six months ended 30 June 2005. In 2004, the directors had declared an interim dividend of HK2.0 cents per share in cash with a scrip option.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2005

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	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
		(Restated)
Earnings		
Earnings for the purposes of basic and diluted earnings per share (net profit for the period)	**36,116**	44,618

	Six months ended 30 June	
	2005	2004
Number of shares		
Number/Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,026,067,000**	1,020,182,000
Effect of dilutive potential ordinary shares: Share options	**65,601,000**	117,170,000
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,091,668,000**	1,137,352,000

The adjustment to comparative basic and diluted earnings per share, arising from the changes in accounting policies is as follows:

	Basic	**Diluted**
	HK cents	*HK cents*
Reconciliation of 2004 earnings per share:		
Reported figures before adjustments	4.35	3.90
Adjustments arising from the changes in accounting policies	0.02	0.02
Restated	4.37	3.92

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2005

10. Movements in investment properties and property, plant and equipment

During the period, the Group has reclassified investment properties with a carrying amount of HK$1,321,000 to leasehold properties.

During the period, the Group acquired property, plant and equipment amounted to approximately HK$5,297,000.

At 30 June 2005, the directors considered the carrying amount of the Group's investment properties carried at fair value and leasehold properties carried at revalued amounts respectively, and estimated that the carrying amounts do not differ significantly from that which would be determined using fair value at the balance sheet date. Consequently, no 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:

	30 June 2005 (Unaudited) *HK$'000*	31 December 2004 (Audited) *HK$'000*
0 – 90 days	**109,991**	91,147
91 – 180 days	**2,321**	1,885
Over 180 days	**–**	4,691
	112,312	97,723

12. Trade payables

The following is an aged analysis of trade payables:

	30 June 2005 (Unaudited) *HK$'000*	31 December 2004 (Audited) *HK$'000*
0 – 90 days	**10,805**	8,805
91 – 180 days	**2**	–
Over 180 days	**121**	23
	10,928	8,828

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2005

13. Bank borrowings

During the period, the Group obtained new bank loans of approximately HK$70,201,000 and repaid bank borrowings of approximately HK$92,496,000. The loans bear interest at market interest rates and are repayable over a period of one to three years.

14. Share capital

Ordinary shares of HK$0.10 each

	Number of shares *'000*	**Share capital** *HK$'000*
Authorised:		
At 1 January 2005 and 30 June 2005	2,000,000	200,000
Issued and fully paid:		
At 1 January 2005 and 30 June 2005	1,026,067	102,607

15. Capital commitments

	30 June 2005 (Unaudited) ***HK$'000***	31 December 2004 (Audited) *HK$'000*
Commitments in respect of the acquisition of property, plant and equipment		
– contracted for but not provided in the financial statements	–	690
– authorised but not contracted for	–	8,560
	–	9,250

16. Contingent liabilities

As at 30 June 2005, the Group has given guarantees amounting to approximately HK$10,721,000 (31 December 2004: HK$10,721,000) for bank loans granted to a jointly controlled entity.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2005

17. Related party transactions

During the period, the Group had the following transactions with Shougang Holding (Hong Kong) Limited ("Shougang HK") and its subsidiaries (collectively the "Shougang HK Group"), Shougang Concord Technology Holdings Limited ("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	
		2005	2004
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Consultancy fees paid to the Shougang HK Group	*(i)*	**480**	480
Sales to the Shougang TECH Group		**2,447**	2,336
Rental expenses paid to the Shougang HK Group	*(ii)*	**540**	456
Corporate guarantees for bank loans granted to a jointly controlled entity	*(iii)*	**10,721**	10,721

Notes:

(i) The Group paid consultancy fees to the Shougang HK Group in relation to business and strategic development services provided.

(ii) The Group paid rental expenses to the Shougang HK Group for the leasing of properties in Hong Kong as office premises and staff quarters.

(iii) The Group has executed corporate guarantees for bank loans granted to a jointly controlled entity to finance its working capital. These guarantees were provided in proportion to the Group's equity interest in the jointly controlled entity and are normally renewable on an annual basis.