

Chairman's Statement



"Heading towards the development of value-added steel products market in the PRC, manufacturing will remain the Group's basis and it will keep on bringing stable return to the Group."

I am pleased to present the annual results of Golik Holdings Limited ("the Company") and its subsidiaries ("the Group") for the year ended 31st December, 2001.

THE YEAR'S HIGHLIGHTS

Financial Highlights:

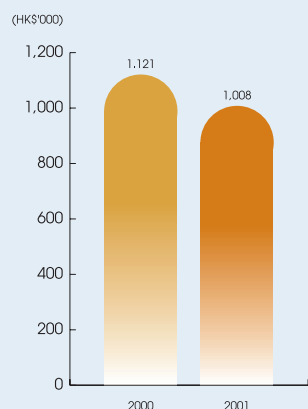
- With regard to the economic downturn during last year, turnover for the Group still recorded approximately HK\$1,008 million (2000: HK\$1,121 million), slightly decreased 10% as compared with that of the preceding year.
- Profit after taxation posted HK\$56 million, a slight decrease of 5% in comparison with that of last year. (2000: HK\$59 million)

Strategic Moves & Restructuring:

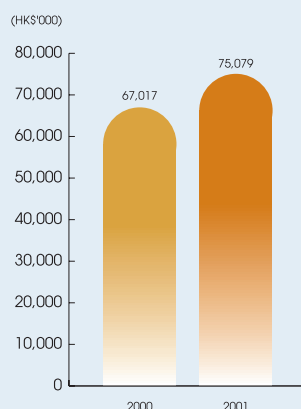
1. Heshan Hang Kei Steel Wire Manufacturing Co. Ltd. ("Heshan Hang Kei"), the Group's subsidiary, has been awarded the "Top 10 Brand Name in China" and has successfully passed the pre-qualify supplier requirement of the "Three Gorges Dam Project".
2. Daido Group Limited ("Daido Group"), the Group's subsidiary, opened its Superslab Factory in August 2001, engaged in the production of Semi-Precast Slab with Lattice Girder and received favorable market responses.
3. In October 2001, the Group strategically acquired Dyna Concrete Limited ("Dyna Concrete"). Dyna Concrete is principally engaged in the business of ready mixed concrete, precast concrete pipe and concrete products. A synergy effect is created with the Company's subsidiary company — Daido Group — achieving in diversification in suiting the government infrastructure projects.
4. During the year under review, the Group entered into an agreement with Tianjin Steel Wire and Steel Cable Group Company Limited ("Tianjin Steel Wire and Cable Group") in the year end of 2001, establishing Tianjin Golik — No. 1 Steel Wire Rope Company Limited ("Tianjin Golik") to further develop and manufacture high quality steel wire ropes for elevators. Tianjin Golik started its operation in January 2002.

Chairman's Statement

**TURNOVER FOR YEAR ENDED
31ST DECEMBER 2000 AND 2001**

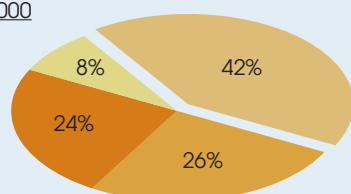


**PROFIT FROM OPERATIONS FOR YEAR ENDED
31ST DECEMBER 2000 AND 2001**



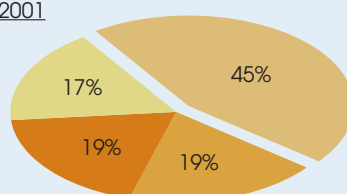
TURNOVER BY PRODUCTS IN 2000 AND 2001

2000



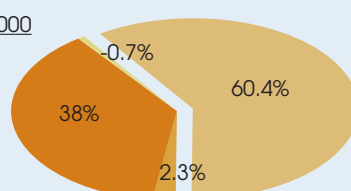
- MANUFACTURING OF STEEL AND METAL PRODUCTS
- TRADING OF STEEL AND METAL PRODUCTS
- MANUFACTURING OF CONSTRUCTION MATERIALS
- TRADING OF CONSTRUCTION MATERIALS

2001



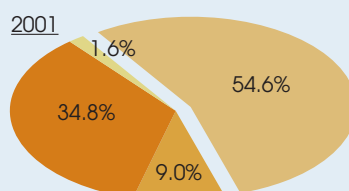
PROFIT SEGMENT RESULT BY PRODUCTS IN 2000 AND 2001

2000



- MANUFACTURING OF STEEL AND METAL PRODUCTS
- TRADING OF STEEL AND METAL PRODUCTS
- MANUFACTURING OF CONSTRUCTION MATERIALS
- TRADING OF CONSTRUCTION MATERIALS

2001



"The Group will continue to promote environmental friendly products and explore potential markets with an aim to maintain its position as the major supplier in the construction sector."

Chairman's Statement



OPERATION REVIEW

The Group made progress through stability in 2001. In the year under review, the performance of a portion of the Group's construction materials business was not as good as that of the previous year due to the global economy downturn and further reduction of public housing construction, while the steel business remained stable. On the other hand, the two acquisitions by the Group during the year injected new blood to the Group's businesses which further achieved our objective of product and business diversifications.

Steel and Metal Products

1. *Manufacturing of Steel and Metal Products*

The manufacturing of steel and metal products accounted for 45% of the Group's turnover in the year, remained as the Group's core business and delivered stable return to the Group.

- Decoiling Centre

With the launch of the newly established factory building in Tai Po Industrial Estate, the production for the year increased. However, the global weak price of steel and keen competition in the industry slightly affected the profit for the year, but the overall performance was still satisfactory.

- Steel Wire and Wire Rope

The business maintained steady. The Group further enhanced the product quality and the value-adding ability through improved techniques and upgraded facilities during the period. The Group's subsidiary, Heshan Hang Kei was awarded ISO and the "Top 10 Brand Name in China". In addition, the Group entered into agreement with Tianjin Steel Wire & Wire Rope Group in the year to set up Tianjin Golik to manufacture wire ropes for elevators. Tianjin Golik started operation since January 2002 to manufacture and supply high quality steel wire ropes for elevators that account for 30% share in the domestic market.

Chairman's Statement

2. Trading of Steel and Metal Products

The global steel price last year plunged into the lowest in the past 20 years, hence affecting the Group's steel trading business. However, our market position was further established.

Construction Materials

In the year under review, the business of construction materials accounted for 36% of the Group's turnover.

1. Manufacturing of Construction Materials

Influenced by the Government's further reduction in public housing construction, the performance of a portion of the Group's construction materials business such as welded wire mesh and ALC panels was not up to the expectation.

Daido Group strives to develop the environmental friendly "Semi-Precast Concrete Slab". It was launched in the market in August 2001. Feedback was in general promising and the product has been used by the Architectural Services Department and the Housing Department.

The Group acquired Dyna Concrete in October to manufacture ready-made concrete and precast concrete pipes. Dyna Concrete together with Daido Group, subsidiary of the Group, complemented the weaknesses of both parties in terms of products and facilities, creating a synergy effect. Since the products are mainly supplied to infrastructure projects, the impact resulted from the reduction of the public housing construction was minimal.



Chairman's Statement

2. *Trading of Construction Materials*

The trading business of construction materials was better than the preceding year due to the commencement of several large infrastructure projects. However, the marginal profit was still not very encouraging due to keen competition.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial position is healthy and stable. As at 31st December 2001, the Group's cash and bank deposits reached HK\$124,000,000. Bank borrowings rose by 6% over prior year to approximately HK\$287,000,000.

The business operation was generally financed by the Group's internal funding. For the year, the Group maintained a healthy liquidity status with net cash inflow from operating activities amounted to approximately HK\$75,000,000 (2000: HK\$ 22,000,000).

The Group's monetary assets are principally denominated in Hong Kong dollars, Renminbi and United States dollars. As the exchange rate between Hong Kong dollars and the United States dollars is fixed, together with the minimal fluctuation in exchange rate between the Hong Kong dollars and Renminbi, the Group believes its exposure to exchange risk is not material.

CAPITAL STRUCTURE

During the year, there was no change to the share capital of the Company. The Group's operation was financed by shareholders' equity.

As at 31st December 2001, consolidated shareholders' equity reached HK\$394,000,000 and aggregated interest-bearing borrowings was approximately HK\$303,000,000. The Group's debt to equity ratio was approximately 77% (2000: 83%).

EMPLOYMENT AND REMUNERATION POLICY

As at 31st December 2001, the total number of staff of the Group in Hong Kong and the PRC was 920. In addition to the set up of share options scheme, the Group also provided retirement benefits and Mandatory Provident Fund entitlement to Hong Kong's employees.

Chairman's Statement

PROSPECTS

The Group is currently heading towards the development of value-added steel products market in the PRC. Manufacturing will remain the Group's basis and it will keep on bringing stable return to the Group. Meanwhile, the Group will continue to seek opportunities to invest in value-adding steel manufacturing.

The Group endeavors to be the main supplier of comprehensive construction materials in Hong Kong and it has principally achieved its goal. The Group will carry on matching the environmental protection policies of the Government by promoting environmental friendly construction materials. It will also continue to explore the private sector and the infrastructure market with an aim to maintain its position as the major supplier in the construction sector.

Although the current business environment remains stagnant, we are prudent yet optimistic towards the future. The steady progress of the Group in the past few years regardless of the general economic situation proves that we are capable of overcoming the present difficulties. It is for certain that we can get better results once the economy rebounds.

ACKNOWLEDGEMENTS

I would like to take this opportunity to express my sincere thanks to the staff of the Group for their dedication and hard work in the past. I would also like to thank our customers, shareholders, bankers and business associates for their unfailing support during the year. With the encouraging result last year and the effort we put in, I am looking forward to a fruitful year in 2002.

Pang Tak Chung
Chairman

Hong Kong, 15th April, 2002