

# CHAIRMAN'S STATEMENT

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## FOR THE YEAR ENDED 31 DECEMBER 2002

Despite difficult trading conditions, the Group performed up to our expectation for the year 2002, largely as a result of the implementation by management of decisions made following the business review undertaken in early 2000. The Group's annual cost base has been reduced and the Group's turnover has increased significantly due to our continued focus in international steel trading and active liaison with our broad supplier and customer base. The consequent recovery in operating profit and cash flow generation is a crucial initial step in establishing enhanced shareholders' value.

For the last several years, the joint venture steel mills in China had always been the hindrance and obstacle for growth. The Group has evolved considerably over the last few years and has come a long way since the restructuring process was initiated. Unfortunately, in the past, much of that progress was overshadowed by losses arising from legacy issues relating to the China steel mills which we inherited when the current management acquired the Group back in 1996.

The management team has dealt decisively with the legacy issues involving the China steel mills and this time, the financial results for 2002 signaled the completion of the restructuring of the Group as the results of the China steel mills have not been consolidated into the Group's results following the arrangement to dispose of all the remaining steel mills in China. Even though completion of the disposal may not take place at the time of execution of the disposal agreement, further losses to the Group are now curbed as the joint venture partners of the steel mills have undertaken to bear the operation loss, if any.

For the year ended 2002, we again concentrated very much our efforts in developing our core steel trading operation in order to fulfill our strategy of becoming a focused steel group in the Asia Pacific region. We expect that 2003 will see the Group continuing to achieve steady growth in the international steel trading arena and trust that each of our business areas is now at a size where they are able to adequately compete in a chosen market and all have organic prospects for success. We anticipate that 2003 will be a year of continuing competitive pressures in all of these areas and we must ensure that we remain focused in order to achieve our goals for the year.

Whilst the year ahead will continue to see the Group concentrating on organic growth in the core steel trading activities, we nevertheless remain attuned to market opportunities. In line with this philosophy of diversification, detailed feasibility study on the Shanghai property market has been performed and certain passive investments have been made. However, more active participation in this sector of the business will be carried out once we consider the timing is appropriate.

As we look to the future, there is still much work to do to restore shareholders' value and achieve capital growth for our investors. However, we are confident that following our focused direction and vision, exciting growth can be attained in the not too distant future.

Finally, I would like to commend shareholders for their loyalty and patience and to thank all the staff and Board colleagues for their commitment and efforts during the past year.

**Lau Chi Yung, Kenneth**  
*Chairman*

Hong Kong  
16 April 2003