

# CHAIRMAN'S STATEMENT

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## **For The Year Ended 31 December 2003**

The year 2003 was a satisfactory year for the Group. Cost efficiencies are the key to maintaining a competitive advantage in our markets. Significant activity was undertaken during the year to improve efficiency and streamline our administrative functions.

For the year ended 2003, we again concentrated very much our efforts in developing our core steel trading operation in the Asia Pacific region. However, the year 2003 was a year of intense competition in this area of our operations. Steel prices were escalating at a very fast pace and customers were not willing to acquire bulk volume and accumulate stock of steel products at a high price. This sudden escalating effect in particular provided a very difficult atmosphere for international steel trading. Besides, margins continued to be squeezed as a number of participants in this market sector sought to achieve growth and market position through unsustainable price cutting and risk taking. Against this background, the Group was again able to maintain its niche and uphold its market position, achieving sales of steel products broadly in line with our expectation.

We anticipate that 2004 will be a year of continuing competitive pressures in our area of operations and due to the surging fuel costs, handling expenses and shipping charges, we expect the steel trading business will be contracting in the first half of 2004.

Whilst the year ahead will continue to see the Group concentrating on organic growth, 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 active participation in this sector of the business will be carried out once we consider the timing is appropriate. We strongly believe that we have the necessary skills and expertise to enable us to step into this sector of the new business.

In addition to tapping into the Shanghai property market, the Group will be working towards the goal of maximizing the returns for our shareholders through restructuring our business mix and strengthening the competitiveness of our business. In addition, our management will focus its attention more on expansion and opportunities which are profitable and have a promising outlook. Whether expansion will be organically driven or by way of acquisition, we can only say it will be a calculated and measured expansion, tempered by caution.

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 long term direction and vision, our goal can be attained in the not too distant future.

Finally, I would like to thank our shareholders who have believed in us and been patient with our efforts in restructuring the Group and again I have to thank all the staff and Board colleagues for their loyalty, commitment and efforts during the past year.

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

Hong Kong, 16 April 2004