

## Chairman's Statement



I would like to present the annual results of Golik Holdings Limited ("the Company") and its subsidiaries ("the Group") for the year ended 31st December, 2005.

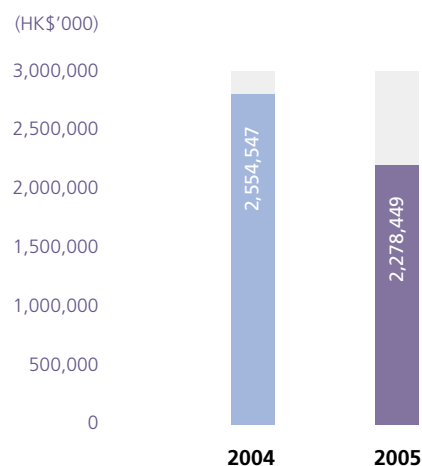
### BUSINESS REVIEW

For the year ended 31st December, 2005, the Group achieved an annual turnover of HK\$2,278,449,000, an 11% decrease compared to last year. The main reasons for the decline are due to the reduction in the operation of the Steel Re-bars Distribution business and also the deteriorating market price in steel products. During the year, the Group returned to a profitable result from the previous financial year loss. After deduction of minority interests, the profit after taxation is HK\$32,399,000.

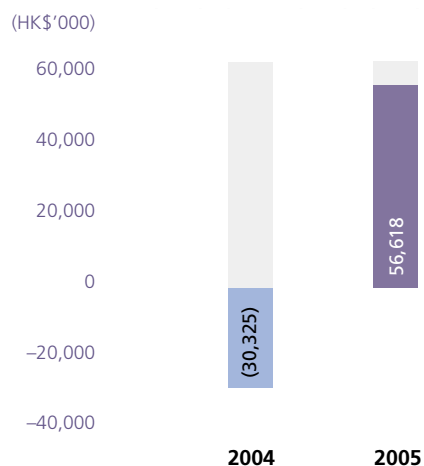
Throughout this time, certain unfavorable factors still continued to exist. They included the volatility of steel prices, the continuing sluggish state of the Hong Kong construction sector, increases in interest rate and so forth. During the year, the Group engaged in a more conservative business strategy so as to further strengthen its core businesses. This included allocation of more resources to increase the productivity of high growth potential businesses, consolidating the Group's core businesses through divestment of some non core operations and assets to minimize the debt level, rearranging internal resources to enable the early retirement of the HK\$120 million syndicated bank loan in the year, this will minimize the amount of interest in the coming year and make the Group more financially stable.

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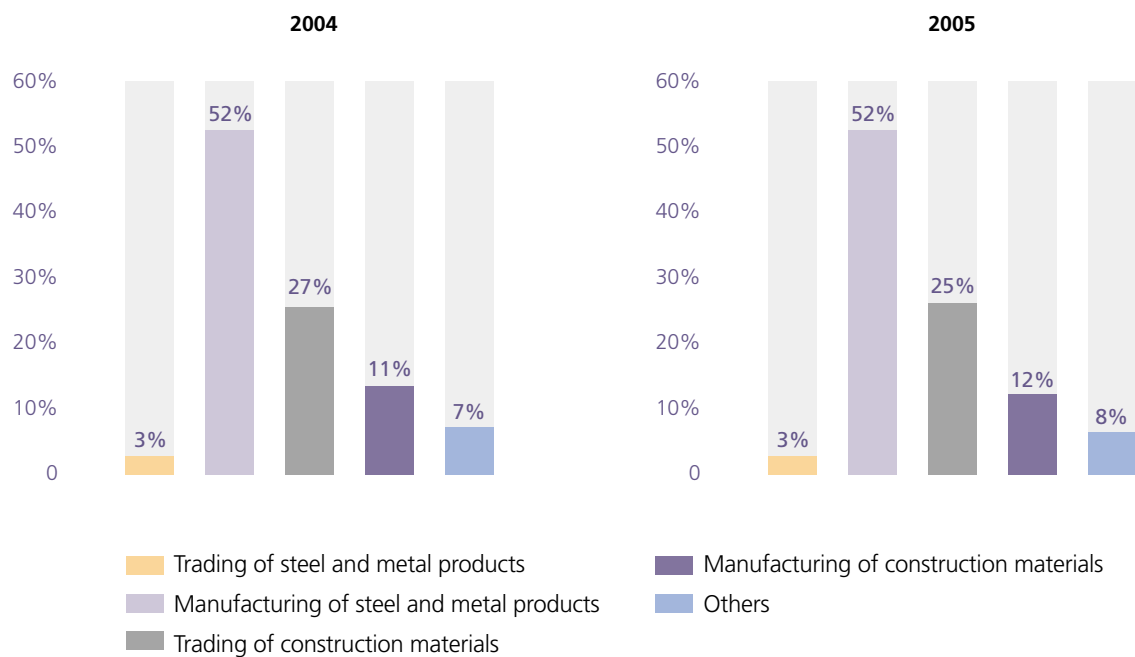
**Turnover for the years ended  
31st December, 2004 and 2005**



**Profit (loss) for the years ended  
31st December, 2004 and 2005**



**Turnover by products in 2004 and 2005**



## Chairman's Statement

### Steel and Metal Products

#### 1. *Steel Coil Processing*

The two Steel Decoiling factories located in Taipo Industrial Estate, Hong Kong and Dongguan, Guangdong mainly supplies steel coil material to the nearby stationaries and electrical appliances manufacturers. During the year, the export order for metal products manufacturing business was not satisfactory. The competition within the Steel Decoiling business sector increased and the marginal profit declined. This was more evident in the second half year where steel coil prices declined significantly thus further affecting the Steel Coil business result compared to the prior year. Even so, with enormous effort contributed by the management team, the profit return generated is still a pleasing result.

Over the prior two years, the price of the steel coil products continued to rise to a comparatively high level because of strong demand. However, the substantial decline in the second half year 2005 affected significantly the return for the industry during the year but in the long term it would help the Steel Coil business to grow and develop more healthily. The Group retains an optimistic outlook for the future prospects of the Steel Decoiling business.

#### 2. *Wire Processing (Steel Wires, Wire Ropes and Pre-stressed Steel Strands)*

The overall result for the wire processing operations during the year was satisfactory.

The Pre-stressed Steel Strand factory located in Tianjin performed variably throughout the year. In the first half year, it achieved stellar result because of strong demand of the infrastructure needs in the People's Republic of China ("PRC"). However, in the second half year, due to huge price decline in various steel products, the overall outcome was not so satisfactory. The outlook for this Pre-stressed Steel Strand business remains positive by merit of the large amount of railway infrastructure and road construction still remaining in the pipeline. With the current positive economic outlook, most competitors within the industry will continue to expand their own production capacities, leading to over supply in the short term. To achieve a stable profit return, the operation will need to focus

on internal cost control and further improvement towards achieving a more sound management.

The Steel Wire and Steel Wire Rope factory located in Heshan, Guangdong has carried out a series of upgrades and modifications on its wire drawing machinery. Both productivity and quality have been improved making Heshan one of the higher quality steel wire manufacturer in the Guangdong area.

The Elevator Steel Wire Rope factory located in Tianjin has completed its joint venture merging with the U.K. Steel Wire Rope manufacturer "Bridon". It now operates as "Bridon Tianjin Rope Ltd.". During the year, this operation experienced a pleasing growth in its business as a result of the joint venture company.

### Construction Materials

#### 1. *Steel Re-bars Stockholding and Distribution*

The Group has recalibrated its operating strategy including improving risk management and reducing scale of this operation. The annual turnover has decreased by approximate 30% compared to last year, but the operation has recovered from its previous year loss to return to a profitable and very satisfactory result.

Currently the steel price is more stable than last year but still experiencing a degree of fluctuation. The Group will continue to operate the business using a conservative approach for the immediate future. Meanwhile, the Group will continue its exploration and development of value-added business for steel products in the construction sector.

#### 2. *Ready Mixed Concrete Products*

The concrete operation has improved this year and our target of achieving a minimum of breakeven during the year has been successful.

The Group's concrete plants located in Hong Kong and Guangzhou have excellent location advantages. Recent success in being awarded the right of use of a seaport in Tung Chung, Hong Kong will make logistic convenient in transporting raw materials for production of concrete and thus enhance cost reduction measures. The Group is confident that the concrete business will improve further and generate more profit in the coming year.

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### LIQUIDITY AND FINANCIAL RESOURCES

During the year under review, there was no significant change in the capital and loan structure of the Group. As at 31st December, 2005, the Group's cash and bank balance reached HK\$148,449,000. As at 31st December, 2005, current ratio (current assets to current liabilities) for the Group was 1.27:1.

As at 31st December, 2005, borrowings for the Group was approximately HK\$522,156,000.

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. As at 31st December, 2005, consolidated equity attributable to equity holders of the Company reached HK\$425,785,000.

As at 31st December, 2005, net gearing ratio (borrowings minus cash and bank balances to total equity) was 0.71:1.

### EMPLOYMENT AND REMUNERATION POLICY

As at 31st December, 2005, the total number of staff of the Group was 1,076. The Group also provided Mandatory Provident Fund entitlement to Hong Kong's employees.

### PROSPECTS

The Group believes, the PRC will continue to devote enormous resources and investments to infrastructure construction over the next few years. The PRC will become more and more important in the world's international manufacturing industries and solidify its already well recognized position as the 'world's factory'. Because of the above factors, our core operations in the PRC will continue to provide many opportunities for the Group to develop and grow.

Construction in Hong Kong continues to decline from its peak in 1997 and has remained at low level over the past few years. As the revenue for the HKSAR Government has continued to improve over in recent years, the Chief Executive of the HKSAR has announced a number of large infrastructure initiatives. The private property market is also improving, due to the Government's release of more land for development. In the short-term, both public and private construction projects will increase and the Group's well positioned construction material businesses in Hong Kong will benefit.

In the year ahead, the goal for the Group is to continue to strengthen its "Four Core Businesses" and I expect these "Four Core Businesses" would firmly develop and stabilize their financial returns to the Group. The challenge ahead is still great, but the Group holds a confident and positive view of its future.

### ACKNOWLEDGEMENTS

I would like to take this opportunity to express my deepest gratitude and sincere thanks to all of our staff and fellow directors for their contributions and efforts to the Group in the past. I would also like to thank our customers, shareholders, bankers and business associates for their continuous support to the Group. As the market starts to show positive signs of revival, I am looking forward to placing the Group on the path to further growth bringing fruitful returns to shareholders in the coming financial year.

**Pang Tak Chung**

*Chairman*

Hong Kong, 12th April, 2006