

# CHAIRMAN'S STATEMENT

Dear fellow shareholders,

## OVERVIEW

"Harmony, Innovation, Sustainable Development and Customer Satisfaction through Provision of Goods and Services of High Quality" has been the Group's vision and mission. The year of 2005 was a year with great challenges, despite of which, the Group has made achievement in progressing our business towards a sustainable growth path.

The Group overcame various difficulties in the second half of the year. As the PRC macro-economic and control measures toughened, our main business (iron and steel processing) suffered. Under such circumstances, demand for steel products shrunk, the market was in a glutted situation that supply exceeded demand and steel price fluctuated significantly, which kept the production cost at a high level and affected the Group's operation.

In response to the changes in market conditions mentioned above, the Group promptly made corresponding adjustments in its business strategy and management and successfully fulfilled various tasks, including:

### Business:

- The Group's Phase III iron and steel production plant was completed and commenced production, which would optimize its production structure and maximize its economic efficiency.
- The Group continued to expand its direct export business of iron and steel products and keep pace with trends of the international market. We will also establish allied "industrial chains" with major customers so as to minimise the risk of pricing.
- During the year, the Group purchased two passenger aircrafts for lease purposes and signed a lease agreement for a term of three years, yielding a reasonable return and cash flow to the Group.
- In October, by acquiring Fullchamp Technologies Co., Ltd ("Fullchamp") which is principally engaged in manufacture of aluminum forged and forged-spun wheels for automobiles, the Group successfully diversified its operations into metal-processing related auto parts business.

### Management:

- The Group reinforced its management over production, sales and finance, thus managed to balance the production and sales of its products, ensuring timely fund collection energy saving and effective control on various costs and expenses.

### Development:

- The Group will be dedicated to developing Fullchamp into a major manufacturer of aluminum forged and forged-spun wheels for automobiles in both Mainland China and Taiwan. The Group will also expand its sales channel to cope with the expected rapid growth of business and sales volume in the coming years.

## CHAIRMAN'S STATEMENT *(continued)*

The Group is in healthy state of affairs with steady growth in economic efficiency. The economic indicators are growing favorably, with the turnover and sales volume growing steadily or maintaining at a stable level.

### FUTURE DEVELOPMENT

Looking forward to the coming year, it is envisaged that the Group's steel production growth rate will slowdown in 2006 as it has experienced rapid growth for several years. With the expectation that the PRC macro-economic and control measures will be moderate and the Chinese economy will still go at a stable pace, it is estimated that the price of steel products will rise steadily with tiny fluctuation.

The Group's management is confident that the Group will fully capitalize its extensive experience in cost management and achieve greater cost effectiveness, increase output of high value-added products and welcome to every investment opportunity which are beneficial to the Group, with an aim to generate the best return from investments and generate the best returns to our investors.

To sustain the development of the Group, we will give full consideration to every investment opportunity which is beneficial to the Group, with an aim to generate greater return from investments. Among our various investments, we are also considering with the extensive experience of the board members and the management to bring in other metal-processing and real estate development businesses, in addition to the newly acquired Fullchamp which is principally engaged in metal-processing related auto parts.

### APPRECIATION

Finally, I wish to express my sincere gratitude to our shareholders, directors, employees and business partners for their support to the Group. I believe that we can sustain our delightful operation and will record a greater growth in business and profit in the coming years.

**Lai Yueh-hsing**

*Chairman*