

Chairman's Statement

主席報告

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 2006 was a year with great challenges, despite of which, the Group has made outstanding achievement in progressing our business towards a sustainable growth path.

The Group overcame various difficulties in the year. As the PRC macro regulation 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 put great effort to improve our iron and steel production plant production, and further strengthen in advanced equipments, which would optimize its production structure and maximize its economic efficiency.
- The Group continued to expand its direct export and domestic 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.

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.

致各位股東：

回顧

「和諧、創新、永續經營、提供客戶滿意的產品與服務」是集團一向的經營方針。二零零六年乃充滿挑戰的一年，本集團仍然取得突出的成就，業務持續穩健增長。

本年度集團克服了许多困難。主要業務（鋼鐵加工業務）隨著國家宏觀監管及調控力度加大而遭受挫折。在這種條件下，鋼材需求萎縮，鋼材市場出現供大於求的飽和局面，鋼材價格大幅波動，致使生產成本居高不下，對集團經營造成一定影響。

鑒於市況發生上述變化，集團在業務策略及管理方面迅速作出相應調整。並順利完成了各項工作任務，其中：

業務方面：

- 集團致力改進鋼鐵生產工廠之生產，並進一步強化高端設備，不僅優化了生產組織並大大提高了經濟效益。
- 集團繼續拓展鋼鐵產品直接出口及本地業務，緊跟國際市場潮流。同時繼續與重點客戶建立聯盟式「產業鏈」，以降低價格風險。

管理方面

- 集團在經營上加強了生產、銷售及財務管理，實現了產銷平衡和資金的及時回籠，推動節能降耗，各項費用支出得了有效的控制。

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Development:

- 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.
- The Group also place significant importance to the management of external investment and cooperation opportunities, and has established an project team to centralize all external investment projects.

Future Development

Looking forward to the coming year, it is envisaged that the Group's steel production growth rate will stable in 2007 as it has experienced rapid growth for several years. With the expectation that the PRC macro regulation and control measures will be moderate and the Chinese economy will still go at a stable pacet, 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 external 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 or resource realignment 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 businesses.

Appreciation

Finally, I would like to dedicate 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

發展方面:

- 本集團乃處於穩健狀況，經濟效率穩定增長。經濟數據乃向好發展，營業額及銷售量平穩增長或維持穩定水平。
- 本集團亦甚關注外部投資管理及合作機會之重要性，並已成立項目團隊，以集團處理所有外部投資項目。

未來發展

展望來年，集團主業鋼鐵生產在經歷了幾年的快速增長後，二零零七年增速將會保持穩定。並基於國家宏觀監管及調控政策將較溫和及中國經濟仍然平穩發展預期下，估計鋼材價格將會小幅波動，可持續穩步上升。

集團管理層有信心將充分利用多年積累的成本管理經驗，增加高附加值產品產量及對任何有利於集團的外在投資機會持開放態度，以爭取更佳投資回報及給予我們的投資者最佳的報酬。

為令本集團持續發展，我們將就每個對本集團有利的投資機會或資源調配作全面考量，以期獲得更佳投資回報。各項投資當中，我們正考慮借重董事會成員及管理層的豐富經驗，將其他業務帶進來。

致謝

最後，本人謹此向股東、董事、員工及業務夥伴對本集團的支持致以衷心感謝。本人相信，我們可維持良好的經營狀況，可望於來年獲得更好的業務增長及利潤回報。

賴粵興

主席