

CHAIRMAN'S STATEMENT



“ The Group was turnaround after the successful re-engineering by the new management and our superior quality products...”

I am glad to report that the Group was able to rebound from loss to profit for the year ended 31 December 2000 after its successful re-engineering since November 1999.

THE YEAR'S HIGHLIGHTS

Financial Highlights:

- ◆ Turnover recorded approximately HK\$244million.
- ◆ Profit after tax and minority interest is HK\$38 million, a turnaround of profit from loss.
- ◆ Earnings per share was 1.274 HK cents this year.

Strategic Moves & Restructuring:

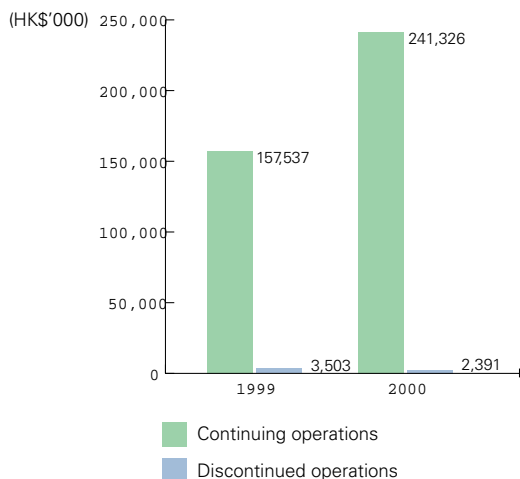
- ◆ Re-domicile of the listed vehicle.
- ◆ Acquisition of Golik Metal Manufacturing Co. Limited to expand the Group's product range.
- ◆ Developed a new environmental friendly product, Daido Superslab.
- ◆ Obtained sole distributorship for H-pile from a Japanese manufacturer.

BUSINESS REVIEW

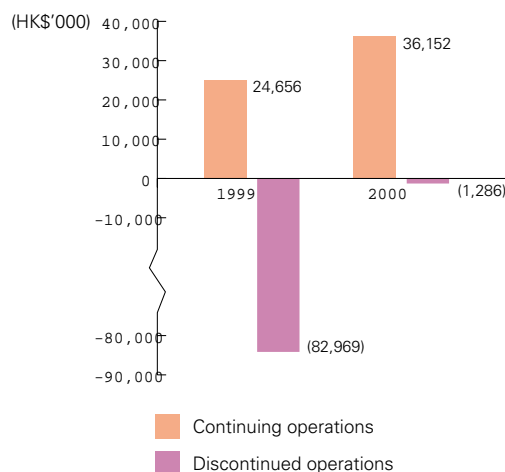
The Group's turnover was approximately HK\$244 million this year, compared to the amount of HK\$161 million for the eight months ended 31st December, 1999. The Group's profit attributable to shareholders reached approximately HK\$38 million this year against a loss of HK\$60 million for the prior reporting period. The reasons were two folds, including the effort put in re-engineering by the new management in November 1999. This coupled with our persistent devotion to providing superior quality products and excellent workmanship which made "Daido" a brand name of quality. Furthermore, the implementation of effective cost control systems helped to lower the operation cost and enabled us to offer competitive price. Together with our aggressive sales force, we were able to outperform other market players and achieved excellent results.

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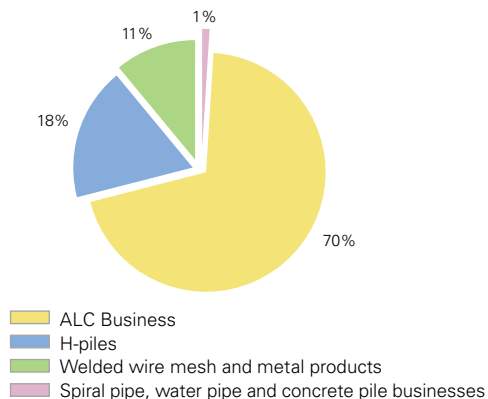
Turnover for 2000 and eight months ended 31st December 1999



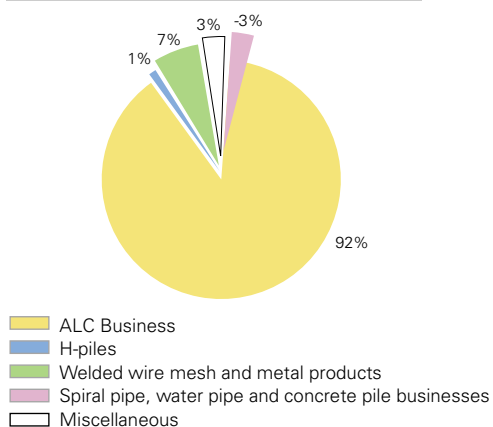
Profit (loss) before taxation in 2000 and eight months ended 31st December 1999



Turnover for the year ended 31st December 2000



Contribution to profit before taxation for the year ended 31st December 2000



Change of Listing Vehicle

Pursuant to a scheme of arrangement, Daido Concrete (H.K.) Limited has become an indirectly wholly-owned subsidiary of Daido Group Limited on 10th November, 2000. Daido Group Limited has replaced Daido Concrete (H.K.) Limited as the listed company and the shareholders of Daido Concrete (H.K.) Limited have become shareholders of Daido Group Limited.

The scheme of arrangement resulted in Daido Group Limited becoming solely as an investment holding company divorced from the business operation of the Group and hence minimizing the risks of operating loss incurred by the rest of the Group. A holding company incorporated overseas could facilitate the Group's future expansion abroad. Bermuda is an international financial centre and an established jurisdiction, a place well-known to international investors. Furthermore, the same

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domicile of Daido Group Limited and its parent company, Golik Holdings Limited ("GHL"), both incorporated in Bermuda, improved management efficiency and saved cost.

Acquisition in the year

During the past few years, the Group was principally engaged in the manufacturing and selling of Autoclaved Aerated Lightweight Concrete ("ALC") Products. Over 90% of the turnover of the Group was attributed to the ALC Products for the eight months ended 31st December, 1999. With the change of government policy to construct less public housing, the demand for ALC Products had dropped. In view of this, the Group had devoted much effort to extend its business scope by exploring both new markets and new products in order to reduce its reliance on ALC Products. After due and careful review, the Directors believed that the acquisition of Golik Metal Manufacturing Co. Limited ("GMM") could reinforce the diversification objective of the Group. In addition, the acquisition will combine the customer base and production resources of GMM and the Group which could ultimately improve operational efficiency and broaden the revenue base.

Besides the attempted acquisition of assets from Siu Fung Ceramics Holdings Limited already announced, the Group is still actively seeking potential businesses that can diversify and reinforce our core businesses.

OPERATION REVIEW

Autoclaved Aerated Lightweight Concrete Products

In the first half of the year, the Group delivered quite large quantity of ALC blocks and panels to its customers. However, in the middle of the financial year, business performance showed signs of deterioration due to the dramatic reduction of the number of tenders in the public sector. Therefore, turnover and profit contribution was affected during the latter half of the year.

The Group maintained its leading position in ALC dry wall supplier in the industry. During the year, the Group strived to broaden its customer base from primary reliance on the Hong Kong Housing Authority projects by exploring more business opportunities and extending its exposure in the private sector as well as overseas such as Japan where the connection of its substantial shareholders can be capitalized. During the year, the Group also



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successfully penetrated into the Taiwan and Singapore market.

Welded Wire Mesh, Cold Drawn Wire and Expanded Metal Products

The Group's newly acquired subsidiary, GMM, is principally engaged in the manufacturing and sale of welded wire mesh, cold drawn wire and expanded metal products for concrete reinforcement used in the construction of buildings, pavings and precast concrete products. It is one of the leading manufacturers and suppliers in the industry. GMM is a registered government supplier of wire mesh and was awarded ISO9002 since 1995.

A significant portion of this product's sales is associated with demand from public housing developed by the Hong Kong Housing Authority. The management had anticipated the shrinkage of the number of Government projects and had already taken various measures to offset the low season. The Group had carried out effective cost control systems which lowered the operation cost. In order to minimize its reliance on Government projects, GMM together with the combined effort of the rest of the Group, explored the opportunities to promote the products to the new applications in private sectors and civil works. The initial response was encouraging.



1. Y Tong AAC Panel as partition wall
2. Y Tong AAC Panel with embedded conduit
3. H-pile
4. Welded Steel Wire Fabric
5. Welded Lattice Girder



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Semi-Precast Concrete Slab

Following the acquisition of GMM, with the synergy effect of Daido's concrete technique and GMM's welded wire mesh, the Group develops semi-precast concrete slab (Daido Superslab). It is expected that the product will be widely applied in building construction and civil works as well. Daido Superslab offers high quality with a variety of dimensions and structural requirements. It can be installed in any kind of residential and commercial buildings and is the most commonly used system for suspended slabs in Europe, Japan, Australia, etc.

With the combined efforts of overseas expertise and local professionals, the new product is designed to tackle many of the problems encountered in traditional construction methods. Daido Superslab offers an environmental friendly and cost-effective alternative to the construction industry. The initial feedback on the new product from both the private sector and the public sector is promising. Potential clients in the private sector are enthusiastic to know more about the product. Furthermore, the Housing Authority had already indicated that they had no adverse comments on our products.

H-pile

During the year, the Group successfully obtained sole distributorship for H-pile from a Japanese manufacturer and obtained general approval to supply for both Government and



private projects. Since the product is now commonly used in Hong Kong, the Group believes that the business has good potential and will promote aggressively.

Spiral Pipe, Water Pipe and Concrete Pile Businesses

Unlike the core businesses, the financial performance of the spiral pipe, water pipe and concrete pile businesses were quite disappointing due to fierce competition from Mainland China. After due and careful consideration, the Group had disposed and discontinued these businesses in order to effectively re-allocate resources to develop and promote products with higher profit margin.

Liquidity and Financial Resources

As at 31st December, 2000, the Group's consolidated shareholders' equity was HK\$129 million, representing a 9% growth over prior period. As at 31st December, 2000, the

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Group's cash and bank deposits were HK\$69 million and aggregated interest-bearing borrowings were approximately HK\$28 million.

The business operation was generally financed by the Group's internal fundings. For the year, the Group's net cash inflow from operating activities totaled approximately HK\$34 million (Eight months ended 31st December, 1999: HK\$42 million).

The Group's monetary assets are principally denominated in Hong Kong dollars and United States dollars. As Hong Kong dollars is pegged to the United States dollars, the Group believes that its exposure to exchange rate risk is not material.

During the year, there was no change to the share capital of the Group.

The gearing ratio of the Group calculated by aggregated interest-bearing borrowing divided by shareholders' equity at the balance sheet date was 22%.

Employment and Remuneration Policy

For the year ended 31st December, 2000, the total number of staff of the Group in Hong Kong was approximately 200. In addition to the set up of share options scheme, the Group also provided Mandatory Provident Fund entitlement to its employees.

PROSPECTS

The local property and construction markets are adversely affected by the change of government housing policy and the downturn of global financial markets. The Group intends to diversify its product range and services to offset the low season in the coming year. In response to the worldwide trend for environmental protection, the Group will continue to identify "environmental friendly" construction materials in addition to the existing products. The majority of the Group's products are all environmental friendly, such as the ALC Products, welded wire mesh and semi-precast concrete slab. The semi-precast concrete slab, in particular, carries a high potential and the Group will try its best endeavor to promote the products to the market. The Directors anticipate a high growth will come when the government finalizes the environmental protection rule in the use of construction materials. I am confident that the Group will establish itself as a major construction materials supplier in Hong Kong.

APPRECIATION

I would like to take this opportunity to express sincere thanks to the staff of the Group for their dedication and hard work in the past. I would also like to thank our customers, shareholders, bankers and business associates for their unfailing support during the year. With the encouraging results last year and the effort we put in, I am looking forward to a fruitful year in 2001.

Pang Tak Chung

Chairman

Hong Kong, 17th April, 2001