

Chairman's

Statement



I am glad to report the annual results of Daido Group Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31st December, 2001.

THE YEAR'S HIGHLIGHTS

Financial Highlights

- Despite the economic downturn last year, turnover still recorded approximately HK\$199 million (2000: HK\$244 million).
- Profit after taxation was HK\$30 million (2000: HK\$38 million).
- Earnings per share was 0.989 HK cents this year (2000: 1.274 HK cents).

Strategic Moves & Restructuring

- Daido Superslab factory opened and started operation.

BUSINESS REVIEW

The business operation of the Group was difficult but yet full of challenges in 2001. In the past, the Group's return relied largely on the public housing sector. The Group formulated corresponding policies a year ago including to diversify the product and customer base to cope with the Government's reduction in the construction of public housing and that resulted in certain achievements.

OPERATION REVIEW

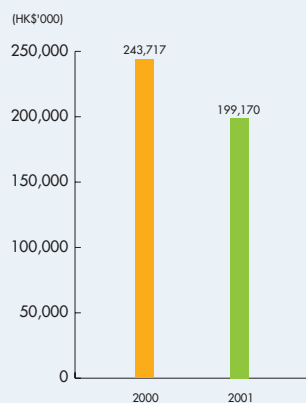
Autoclaved Aerated Lightweight Concrete ("ALC") Products

The Group deliberately restructured and diversified its businesses in the year, introduced and explored new products, so that the contribution to the Group's turnover by ALC products successfully decreased from over 90% to less than 50%. ALC products still remained the core business of the Group.

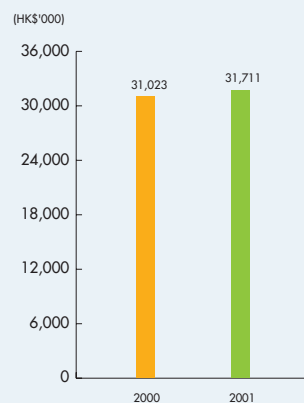
Since private sector is the target client of ALC blocks, their results for the year maintained steady.

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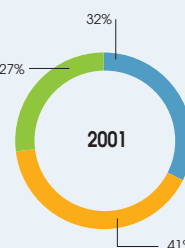
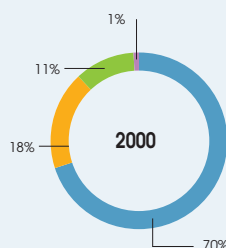
**TURNOVER FOR THE YEAR ENDED 31ST
DECEMBER, 2000 AND 2001**



**PROFIT FROM OPERATIONS FOR THE YEAR
ENDED 31ST DECEMBER, 2000 AND 2001**



TURNOVER BY BUSINESS IN 2000 AND 2001



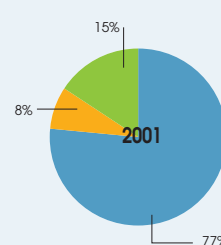
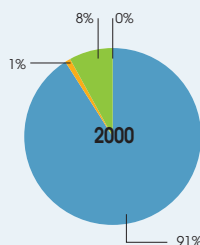
● CONSTRUCTION WORK CONTRACTING AND SALES OF CONCRETE PRODUCTS

● MANUFACTURING AND SALES OF METAL PRODUCTS

● SALES OF STEEL PRODUCTS

● MANUFACTURING AND SALES OF CONCRETE PILES AND SPIRAL PIPES

SEGMENT RESULT BY BUSINESS IN 2000 AND 2001



● CONSTRUCTION WORK CONTRACTING AND SALES OF CONCRETE PRODUCTS

● MANUFACTURING AND SALES OF METAL PRODUCTS

● SALES OF STEEL PRODUCTS

● MANUFACTURING AND SALES OF CONCRETE PILES AND SPIRAL PIPES

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YTONG panel walls for bedrooms and toilet partitions of hotel development at Ma On Shan



Daido Superslab used in ArchSD school project at Po Kong Village Road

OPERATION REVIEW (Continued)

Autoclaved Aerated Lightweight Concrete ("ALC") Products (Continued)

The Group's revenue was mainly attributed to ALC panels in the past few years. This segment of business suffered the most from the Government's existing public housing policy. The Group, however, has made every effort to promote the products to the private sector and the feedback has been promising.

Cold Drawn Wire, Welded Wire Mesh and Expanded Metal Products

The Government's existing public housing policy also has effect on this business sector. Nevertheless, cope with the implementation of effective cost control, minimizing operational expenditure and the commencement of a number of large-scaled infrastructure projects, the business could still maintain reasonable profitable return.

Semi-Precast Concrete Slab

The Group's newly invested semi-precast concrete slab (Daido Superslab) is an environmental friendly construction materials. Since its launch in August last year, the feedback from the market has been very promising. It has been supplied to the Architectural Services Department for school projects, the Housing Department for housing projects and the private sector. The price of the product is sold at a comparatively lower level at the early stage of its development. They cannot contribute to the Group in the short run, but we are convinced that once the products are widely used and being accepted in the market, the shareholders will definitely obtain a reasonable return on their investment.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2001, the Group's consolidated shareholders' equity was HK\$166 million, representing a 20% growth over prior year. As at 31st December, 2001, the Group's cash and non-secured bank deposits was HK\$44 million whilst interest-bearing borrowings was HK\$21 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\$12 million (2000: HK\$34 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 its exposure to exchange risk is not material.

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CAPITAL STRUCTURE

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

As at 31st December, 2001, consolidated shareholders' equity reached HK\$166 million and aggregated interest-bearing borrowings was approximately HK\$21 million. The Group's debt to equity ratio was approximately 13%.

EMPLOYMENT AND REMUNERATION POLICY

At the end of 2001, the total number of staff of the Group in Hong Kong was 212. In addition to the set up of share options scheme, the Group also provided Mandatory Provident Fund entitlement to its employees.

PROSPECTS

It has been the trend for Hong Kong construction sector to be more environmental friendly and the Government has already implemented a series of corresponding policies. Our established product lines – ALC Products, Semi-Precast Concrete Slab, welded wire mesh...etc., are matched with the Government requirements.

The building and construction industry of Hong Kong is still in recession. The market competition remains to be very keen. Therefore, we have on one hand strictly control the cost and expenditure and on the other hand explore new products and markets. The PRC market will be the next target of the Group's future development.

ACKNOWLEDGEMENTS

I would like to take this opportunity to express my 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 effort we put in, I am looking forward to a fruitful year in 2002.

Pang Tak Chung

Chairman

Hong Kong, 15th April, 2002