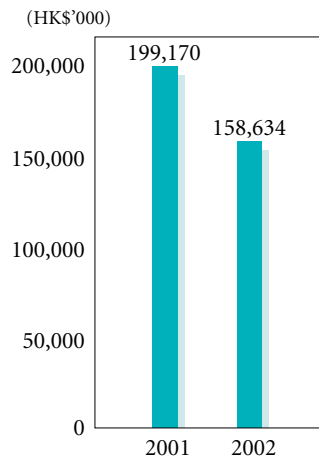
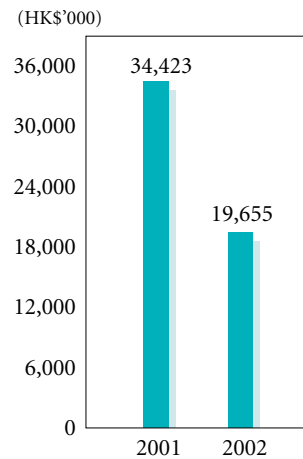


Chairman's Statement

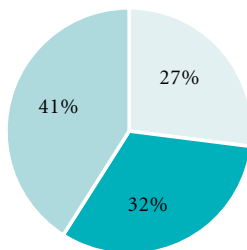
TURNOVER FOR THE YEARS ENDED
31ST DECEMBER, 2001 AND 2002



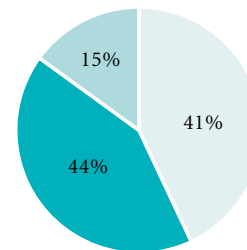
PROFIT FROM OPERATIONS FOR THE YEARS ENDED
31ST DECEMBER, 2001 AND 2002



TURNOVER BY BUSINESS IN 2001 AND 2002



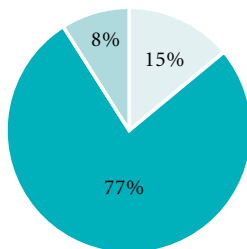
2001



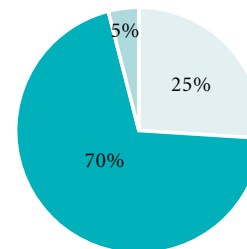
2002

- Construction work contracting and sales of concrete products
- Sales of steel products
- Manufacturing and sales of metal products

SEGMENT RESULT BY BUSINESS IN 2001 AND 2002



2001



2002

- Construction work contracting and sales of concrete products
- Sales of steel products
- Manufacturing and sales of metal products

Chairman's Statement



I am pleased to report the annual operation and financial results of Daido Group Limited (the “Company”) and its subsidiaries (the “Group”) for the year ended 31st December, 2002.

BUSINESS REVIEW

2002 is a challenging year for the Group and most of the companies in Hong Kong.

The overall construction and property market in Hong Kong is gloomy. As a result of the change in public housing policy, public housing demand contracted significantly in 2002. There were only 16,844 public housing units tender in 2002, which dropped by 21% compared to year 2001. Private sector construction is not exception to the public housing sector. Several private construction projects were delayed affected by the low retail spending appetite. As indicated in the Government construction statistic, private sector construction volume dropped by 11% in 2002 as compared to 2001.

The Group has performed steadily albeit the contractions of the construction market in Hong Kong. The performance of each segment was discussed below.

OPERATION REVIEW

Autoclaved Aerated Lightweight Concrete (“ALC”) Products

Despite the poor economic outlook in Hong Kong, the ALC quantity delivered increased by 14% in the year under review as compared to last year. However, the profit margin squeezed by some 27% due to severe price competition. The Group is undertaking different cost cutting measures to retain its competitiveness in the market.

Chairman's Statement



*Sky Tower, Tokwawan
YTONG Panel and Daido Superslab
were supplied for over 2,000 residential units*



*Caribbean Coast, Tung Chung
Over 30,000m² of YTONG Panel are being
used as internal partition wall to replace
conventional concrete block wall*

Cold Drawn Wire, Welded Wire Mesh and Expanded Metal Products

The sales of this business sector has been increased by 27% in this year as compared to last year albeit under severe price competition. The increase in sales was attributable to certain large-scale infrastructure projects commenced during the year. The profit margin of this business sector is still maintained at a reasonable level due to effective cost control.

Semi-Precast Concrete Slab (“Superslab”)

Superslab is well accepted by the market for its easy installation and precise dimension. However, it still cannot contribute to the bottom line of the Group due to severe price competition from suppliers in the Mainland China. The Superslab, which used lattice girder has been successfully approved by Housing Authority as an alternative standard design for semi-precast concrete in future housing projects. The Group expects that Superslab has its competitive advantage to the similar products supplied by Mainland China.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2002, the Group's consolidated shareholders' equity was HK\$176 million, representing 6% growth over last year. The Group continued its conservative policy in capital reservation in maintaining a low gearing ratio. As at 31st December, 2002, the Group's cash and non-secured bank deposits was HK\$36 million whilst interest-bearing borrowings was HK\$11 million.

The business operation was generally financed by the Group's internal fundings. Given the low lending rates in the domestic markets, the Group is increasing its utilization of cheap banking borrowings at its supply chain.

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.

Chairman's Statement

CAPITAL STRUCTURE

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

As at 31st December, 2002, consolidated shareholders' equity reached HK\$176 million and aggregated interest-bearing borrowings was approximately HK\$11 million. The Group's debt to equity ratio was approximately 6%.

EMPLOYMENT AND REMUNERATION POLICY

At the end of 2002, the total number of staff of the Group in Hong Kong was 175 (2001: 212). In addition to the set up of share options scheme, the Group also provided voluntary contribution to its Mandatory Provident Fund scheme for its employee and incentive scheme for its factory workers.

OCCUPATIONAL SAFETY AND HEALTH

Notwithstanding a tight budget, the Group has undertaken several policy and measures in maintaining a safety and health environment for its employee during the year so that the employee are not risk for any accidental injury and health issues.

PROSPECTS

The Group still believes the trend for Hong Kong construction market to proceed to the environmental friendly direction, however, the pace has yet to be reviewed. Our product lines – ALC products, Semi-Precast Concrete Slab, welded wire mesh ... etc, perfectly match with such requirements.

With the successful experience of several projects using our Superslab and ALC products in the private sectors, architects and developers now understand more about precast system. We envisage there will be more and more precast system demand in Hong Kong due to the tighten environmental restriction ahead.

Effective product pricing and cost control of each segment will continue the target of the management under the current difficult market situation.

The management has explored different alternatives and diversification proposals to go forward and repositioning of the Group's business. As announced on 15th January, 2003, an investment in the cold storage warehouses at Kwai Chung will be a solid one. Given the transportation logistic competitive niche of Hong Kong in the Pearl River Delta, we believe the investment will be fruitful, which will contribute a better return for the shareholders.

APPRECIATION

Finally, 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 also thank our shareholders, financiers and business partners for their invaluable support.

Pang Tak Chung

Chairman

Hong Kong, 16th April, 2003