

CHAIRMAN'S STATEMENT



On behalf of the Board of Directors, I am pleased to present the annual report and financial results of Daido Group Limited (the "Group") for the year ended 31st December, 2003.

In 2003, the Severe Acute Respiratory Syndrome ("SARS") epidemic dragged the recovery of the Hong Kong economy. The construction market is yet to fully recover and fierce competition from the Mainland China has eroded our profit margin. Despite these adversities, I am pleased to announce that, through diversification and actively restructuring our core business, we managed to maintain profitability.

Last July, the Group underwent major structural changes following the acquisition by Top Synergy Associates Limited ("Top Synergy"), making it our controlling shareholder. The restructuring gives us more agility; proven by our ability to shift our market profile

from predominantly the public sector to the private sector in response to a shrinking public property market. Half of our building material business now derives from the private sector and we expect this to rise further.

Across the border, the Mainland China property market continues to boom. Investment in real estate development in Mainland China has reportedly ratchet up over 32% in 2003. The World Trade Organisation ("WTO") and the Closer Economic Partnership Arrangement ("CEPA") will further balloon the figure. With more senior expatriates expecting to work in Mainland China, high quality housing is expected to be in great demand. We shall strengthen our research capability to develop our building materials products in the huge and vibrant Mainland China market. In addition, in order to increase our competitiveness, we shall develop more value-added products, such as the pre-installed conduit panel.

During the year, we made timely investment into two cold storage warehouses in Kwai Chung, which is considered very profitable, as Hong Kong is growing in importance as a logistics centre in the Pearl River Delta Region. We shall fortify this new line of business through mergers and acquisition, and seek opportunities to diversify into other businesses.

Finally, I would like to take this opportunity to express my sincere thanks to our shareholders, customers and suppliers, dedicated staff and my fellow directors for their continuous support and contribution during the period.

Patrick To
Chairman

16th April, 2004