



I am pleased to present, on behalf of the Board of Directors, the annual report and financial results of Daido Group Limited for the year ended 31st December, 2004.

The Group maintained profitability despite the shrinking of construction markets in both public and private sectors with sluggish demand for building materials, and a keen competition from Mainland China. Through the Group's forward-thinking attitude, the operating cost has been reduced by the disposal of the less profitable businesses of steel and metal products. The Group then purchased two cold storage warehouse properties in Hong Kong. The investment has generated sizable rental returns, representing approximately 38% of the Group's turnover in 2004.

The Group will keep pursuing new market potentials from the construction sector. The 8.1% economic growth of Hong Kong last year was mainly driven by a surge in the trade and tourism industries. The momentum of growth will be sustained in the years to come. The Group foresees an insufficient supply of new hotels, offices, shopping arcades and other entertainment facilities as a result. High quality building materials will be in rising demand for the construction of world-class buildings in Hong Kong as well as the neighboring cities in the Pearl River Delta region, especially with the commencement of the construction of the Hong Kong-Zhuhai-Macau Bridge in the near future. The Group will be particularly responsive to the market opportunities in Macau, which is enjoying a steady expansion in its construction sector led by the burgeoning tourism and gambling industries. High quality building materials will be in short supply, bringing tremendous business opportunities for the Group's outstanding products.

Under the improving business environment, the Group is confident it can perform better in the years to come, and will continue its commitment to pursue investment of high returns. With the strategic disposal of the cold storage facilities in 2005, the Group has abundant funding to shed a considerable amount of liabilities and explore more profitable business ventures. Leveraging on Hong Kong's strategic position in the Pearl River Delta region, the Group shall continuously seek co-operation opportunities with strategic business partners.

May I sincerely thank the continual support of our shareholders, our valued business partners, all our dedicated staff and my distinguished fellow Directors. Your understanding and support to the Group for all these challenging years is our most invaluable asset, and the key element for the Group to prosper and attain the best value for our shareholders.

Patrick To
Chairman

Hong Kong, 18th April, 2005