

DAIDO

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of the Company for the year ended 31st December, 2004.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 17 to the financial statements.

SUBSIDIARIES

Details of the Company's principal subsidiaries at 31st December, 2004 are set out in note 17 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2004 are set out in the consolidated income statement on page 18.

The directors do not recommend the payment of a dividend for the year.

RESERVES

Movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 22.

Movements in the reserves of the Company during the year are set out in note 28 to the financial statements.

INVESTMENT PROPERTIES

The investment properties of the Group were revalued on 31st December, 2004. The surplus arising on revaluation of HK\$100 million is credited to the investment properties revaluation reserve.

Movements in the investment properties of the Group during the year are set out in note 14 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Movements in the property, plant and equipment of the Group during the year are set out in note 15 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

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DIRECTORS

The directors of the Company during the year and up to the date of this report are:

Executive directors

Mr. To Shu Fai (*Chairman*)
Mr. Fung Wa Ko (*Deputy Chairman*)
Mr. Tang Tsz Man, Philip

Independent non-executive directors

Mr. Tse Yuen Ming, Valent
Mr. Kwok Shun On
Mr. Leung Chi Hung

In accordance with Clause 87 of the Company's Bye-Laws, Messrs. Fung Wa Ko and Leung Chi Hung retire by rotation and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Independent non-executive directors are not appointed for a specific term. All directors (including independent non-executive directors), with the exception of the Chairman are subject to retirement by rotation in accordance with the Company's Bye-Laws.

None of the directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS

At 31st December, 2004, the interests of the directors in the shares and share options of the Company, as recorded in the registers maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transaction by Directors of Listed Companies, were as follows:

Long positions

(1) *Ordinary shares of HK\$0.01 each of the Company*

| Name of director | Capacity | Number of issued ordinary shares held | Percentage of the issued share capital of the Company |
|--------------------------------|---------------------------------|---------------------------------------|---|
| Mr. To Shu Fai (<i>Note</i>) | Held by controlled corporations | 2,023,231,329 | 67.44% |

Note: The 2,023,231,329 shares are held by Top Synergy Associates Limited ("Top Synergy"), the ultimate holding company of the Company which is owned as to 50% by Vision Harvest Limited ("VHL") and as to 50% by Ever Achieve Enterprises Limited ("EAEL"). The entire issued share capital of VHL is owned by Mr. To Shu Fai. The entire issued share capital of EAEL is owned by four un-related individuals in equal share.

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS *(Continued)*

Long positions *(Continued)*

(2) *Share options*

Particulars of the share option scheme of the Company are set out in note 27 to the financial statements.

No share option was outstanding as at 1st January, 2004 and 31st December, 2004 and no share option was granted under the share option scheme during the year.

Other than the holdings disclosed above, none of the Company's directors, chief executives and their associates, had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations at 31st December, 2004.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the option holdings disclosed above, at no time during the year was the Company or its ultimate holding company or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in respect of certain directors, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance shows that no person as having an interest of 5% or more in the relevant interests and short positions in the issued share capital of the Company at 31st December, 2004.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Connected Transactions" below, no other contract of significance to which the Company or its ultimate holding company or any of its subsidiaries or fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONNECTED TRANSACTIONS

Daido Home International Limited ("DHIL"), a wholly-owned subsidiary of the Company, has rented an office from Metro Easy Investments Limited ("Metro Easy"), being a company wholly-owned by Man Fai Tai Holdings Limited, a company wholly-owned by Mr. To Shu Fai, a director of the Company. The office rental paid to Metro Easy by DHIL during the year was approximately HK\$684,000.

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DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st December, 2004, the aggregate amount of turnover attributable to the Group's five largest customers accounted for approximately 66% of the Group's total turnover and the turnover attributable to the Group's largest customer accounted for approximately 38% of the Group's total turnover.

The aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 37% the Group's total purchases and the purchases attributable to the Group's largest supplier accounted for approximately 9% the Group's total purchases.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers or customers.

PRE-EMPTIVE RIGHTS

There are no provision for pre-emptive rights under the Company's Bye-Laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied throughout the year with the Code of Best Practice as set out in Appendix 14 (the Appendix 14 in force before 1st January, 2005) of the then Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange except that (i) the independent non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation in accordance with Clauses 87(1) and 87(2) of the Company's Bye-Laws; and (ii) the directors have not complied with the notification and confirmation procedures in Appendix 10 of the Listing Rules in respect of their dealings in the shares of the Company.

POST BALANCE SHEET EVENT

Details of significant event occurring after the balance sheet date are set out in note 38 to the financial statements.

AUDITORS

A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

To Shu Fai
CHAIRMAN

Hong Kong, 18th April, 2005