

CHAIRMAN'S STATEMENT



On behalf of the Board of Directors (the "Board"), I am pleased to present the annual results of Daido Group Limited for 2005.

Early 2005 witnessed a steady growth in the industrial property market. The price indices and rental indices of flatted factories in the first quarter of 2005 increased by 8.9% and 2.1% respectively compared with the fourth quarter of 2004. Under these favorable conditions, the Directors decided to sell its two cold storage facilities. The proceeds of the sale reduced the financial burden of the Group considerably and improved the overall financial position of the Group. By identifying the long-term benefits of capitalizing on rental returns, the Group strategically entered into a sub-leasing arrangement for the premises that would then allow the Group to remain in the business of cold storage rental.

In view of the Closer Economic Partnership Arrangement in the Pearl River Delta region, closer economic ties are being made among Hong Kong, Mainland China and Macau, coupled with the fact that China's entry into the World Trade Organisation increasing international trade possibilities, the Directors recognized the economic importance that could bring to cold storage facilities, as well as the excellent logistics opportunities that exist. In order to push the business forward and exploit these favorable opportunities, the Group decided to acquire Best Merchant Group in the early of 2006.

The cold storage and logistics services as well as the ice manufacturing and trading are emerging markets with strong potential for growth. As economic ties continue to get closer in the Pearl River Delta region, one of the Group's key strategies will be to provide a one-stop logistics service between Hong Kong and the Mainland China. Mainland China's Gross Domestic Product is expected to grow by 8-9% in 2006 and it is the intention of the Group to fully exploit this. I am optimistic that the new business direction of the Group will bring brighter results in future.

The construction business continued to downsize in 2005. Our flagship product, Autoclaved Aerated Lightweight Concrete ("ALC"), suffered a further drop in turnover and profits for the third consecutive year. The Board decided to discontinue the operation of the ALC business. Therefore, as of 2006, the Group is no longer operating in the construction market. However, the Group will continue its efforts in exploring other viable business opportunities to further enhance shareholders value.

We believe corporate governance provides us a framework and solid foundation to meet the expectations and provide additional assurance to all of the Group's stakeholders. Therefore, the Group is committed to maintaining a high standard of corporate governance and practices.

Finally, on behalf of the Board, I would like to extend our gratitude to our shareholders, customers, management and all of our staff for their continual support to the Company. Your understanding and support is our most valuable asset during these times of change.

Patrick To
Chairman

Hong Kong 21st April, 2006