

Chairman's Statement

I am delighted to report that the Company has smoothly sailed through the last year after a major business restructuring – from a predominantly construction material-oriented business to one that is led by cold storage and logistics.

The disposal of the Autoclaved Aerated Lightweight Concrete business (ALC) in early 2006 due to the shrinkage of the local building material market, has helped focus our resources to further develop our cold storage and logistics operation. Not only have we been able to achieve a stable income from this new core business, we have officially entered into this fast growing trade in the Pearl River Delta Region. The significance of this business adjustment reflects the flexibility of the Group to change and adapt to the market development.

Logistics is a hot business to pursue. According to the November 2006 issue of China Economic Review, the mainland's frozen food market is growing at an estimated annual rate of about 10% and the annual output of processed frozen food is growing at 20%. Mainland's mounting demand for refrigerated storage and transport of fresh food is being restricted by a shortfall of facilities. China logistics market report 2006 also shows that China's spending on logistics in the first half of 2006 was RMB932.9 billion, rising 12.9% compared to the first half of 2005.

This is where our strength will come into play. The acquisition of Best Merchant Limited and its subsidiaries Brilliant Cold Storage Management Limited and Brilliant Top In Logistics Limited during 2006 has placed the Group in an advantageous position. Presently, the ISO qualified Brilliant Cold Storage in Kwai Chung is one of the largest cold storage facilities in Hong Kong. It is also a leading ice bars and ice cubes producer. Our comprehensive one-stop service with sophisticated IT backing means we are competitive in offering highly efficient and low cost logistics option for our customers.

We have entered this market with a good start and will strive to work hard to gain more ground. We are revamping our warehouse and planning to introduce an online inventory management service for our customers. It is our aim to become a leader in the cold storage and logistics market, not only locally but stretching across the border to capture the vast market on the mainland. With the upcoming Beijing Olympics and further opening of trade under the mandate of the World Trade Organisation (WTO) and the Closer Economic Partnership Arrangement (CEPA), I am confident that our efficient and specialized logistics operation will thrive to be a continuously profitable business.

2006 also saw our Group's venturing into another new market: Macau. In May, the Group acquired 12% indirect attributable interest in a five star hotel resort, the Grand Waldo Hotel Complex, completed with a large-scale casino, a spa complex and shopping mall. We made the investment because we foresee a continuous growth in tourism in the enclave, which is determined to become the 'Las Vegas of the East'. This is a long-term investment and we shall closely monitor this pilot project to determine our level of presence in this market.

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The economy of Hong Kong has been on the rise in the past 3 years. The outlook for our core business is optimistic, as shown by the volume of re-exports, one of the key pillars for the industrial market, which reached 12.5% growth in January 2007. We are confident to expand on the present customer base and exploit the huge potential in China.

As the Chairman of the Group, I extend my deepest gratitude to every member and shareholder of Daido. We shall endeavor our very best to consolidate our foundation and seek new opportunities to reciprocate your continuous support.

Fung Wa Ko

Chairman

Hong Kong, 19th April, 2007