

BUSINESS REVIEW

During the first half of 2001, the performance of the Group was stable and satisfactory, despite the general influence of the global economic downturn and the reduced local public housing construction, due to the Group having developed the overseas markets successfully and implemented effective cost control and product diversification.

Steel And Metal Products

(1) *Manufacturing of Steel and Metal Products*

Value-added steel and metal manufacturing business remains the core business of the Group and shows stable performance during the period under review, accounting for 45% of the Group's turnover.

- Decoiling Center

The Group's business has been slightly affected by the global economic downturn. However, both the turnover and profit remain stable.

- Steel Wire and Wire Rope

Stable performance is also maintained for the steel wire and wire rope business. The Group's subsidiary, Heshan Hang Kei Steel Wire Manufacturing Co. Ltd., has been awarded the "Top 10 Brand Name in China" and has successfully passed the pre-qualifying requirement of the "Three Gorges Dam Project" of which the Group will be one of the suppliers of electric steel wire rope. The Group foresees that the Project will bring about a substantial amount of business in the next few years.

(2) *Trading of Steel and Metal Products*

The export and import of steel and metal products has been experiencing a downturn. The distribution of steel reinforcement is still under the impact of downward pricing pressure. However, the Group's market position has been well established.

Construction Materials

(1) *Manufacturing of Construction Materials*

Since the Government has reduced the construction of public housing, a portion of the Group's construction material has experienced a decrease in demand. In order to combat this situation, the Group has implemented corresponding strategies since last year. These include stringent cost control measures, product and client base diversification, particularly in developing the environmental friendly construction material.

The Group has invested in a newly developed environmental friendly construction product called "Semi-Precast Concrete Slab" (Daido Superslab) which has been launched in August 2001. The preliminary market response is favorable and the Daido Superslab is expected to obtain approval from the Housing Authority in building public housing.

Daido mainly engages in the manufacture of Autoclaved Aerated Lightweight Concrete Blocks and Panels ("ALC Products"). The high quality ALC Products are perceived favorably by the market in Japan as well as the private sector in Hong Kong.

(2) *Trading of Construction Materials*

Business slightly improved as compared with last year due to the commencement of several large-scale infrastructure projects.