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DAIDO

DAIDO GROUP LIMITED

大同集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock code: 544)

**DISCLOSEABLE TRANSACTION AND
DISCLOSURE PURSUANT TO RULE 13.13 OF THE LISTING RULES
AND CLARIFICATION OF VARIOUS ARTICLES**

LETTER OF INTENT IN RESPECT OF THE POSSIBLE ACQUISITION

The Board announces that on 2 May 2006, the Company entered into the non-legally binding LOI with the Vendor in relation to the Possible Acquisition. A refundable deposit of HK\$50,000,000 has been paid by the Group pursuant to the LOI.

The Target is incorporated in the British Virgin Islands and is principally engaged in investment holding. The principal asset of the Target is its 12% indirect attributable interest in the Hotel.

The Board wishes to emphasise that no binding agreement in relation to the Possible Acquisition has been entered into as at the date of this announcement. As such, the Possible Acquisition may or may not proceed. If the Possible Acquisition is materialised, it will constitute a notifiable transaction on the part of the Company. Shareholders and investors are urged to exercise caution when dealing in the securities of the Company. Further announcement in respect of the Possible Acquisition will be made by the Company in the event any Formal Agreement has been signed.

The payment of the Deposit constitutes an advance pursuant to Rule 13.13 of the Listing Rules and constitutes a discloseable transaction of the Company under the Listing Rules as it exceeds 5% but not more than 25% of the applicable five tests under Chapter 14 of the Listing Rules. A circular containing, among other things, details of the LOI and the Deposit will be despatched to the Shareholders as soon as practicable.

CLARIFICATION OF VARIOUS ARTICLES

Reference is made to various articles appeared in some newspapers of 2 May 2006 and 3 May 2006 referring to the proposed injection of assets by a PRC company into the Company in exchange of the controlling stakes in the Company, and the proposed amendments of the Memorandum of Association and the Bye-laws of the Company for the increase in authorised share capital. The Board confirms that there has not been any plan to inject any assets from a PRC company into the Group in exchange for the controlling stakes and that there is no plan for increasing the authorised share capital of the Company at the moment.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company has been suspended from 9:30 a.m. on 3 May 2006 pending the issue of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the shares of the Company with effect from 9:30 a.m. on 4 May 2006.

The Board announces that the Company entered into the non-legally binding LOI with the Vendor in relation to the Possible Acquisition.

LETTER OF INTENT

Date : 2 May 2006
Parties : (i) the Company; and
(ii) the Vendor, which is the legal and beneficial owner of the entire issued share capital of the Target. The Vendor and its ultimate beneficial owner are not connected persons of the Company and are independent third parties not connected with the Company and its connected persons.

Major terms of the LOI

Under the LOI, it is proposed that the Company will acquire the entire issued share capital of the Target.

The principal asset of the Target is its 12% indirect attributable interests in the Hotel. The remaining interests in the Hotel are held by third parties independent of the Company and its connected persons. Based on the best information, knowledge and belief of the Directors, the Hotel is divided into 3 portion, namely, the casino block, the hotel block and the entertainment block of approximately 44,000 sq.m., 23,000 sq.m. and 22,000 sq.m. respectively. The casino block comprises 4 storeys and has an opening gaming hall and 20 VIP gaming rooms. The hotel block is a 4-stars standard 12 storeys building with around 317 rooms (including junior suites) of international standard. The entertainment block is another 4 storeys building with spa & beauty salon, restaurants and food court, indoor & outdoor swimming, bar & karaoke, children's play area, game room and gymnasium. The Hotel officially would have its soft launch by 3 May 2006 and would be officially commence operation on mid May 2006.

Under the LOI, both the Company and the Vendor will proceed to the negotiation for a legally-binding Formal Agreement on or before 29 May 2006 (or such later date to be agreed by the parties thereto).

It is also agreed that the Vendor will not, prior to 29 May 2006, negotiate with any party for the Possible Acquisition.

Deposit

The Deposit was paid by the Group to the Vendor forthwith upon the signing of the LOI. As security for the performance of the Vendor to repay the Deposit if necessary, a guarantee, a share charge and an assignment of shareholder's loan have been executed by the Vendor and/or its beneficial shareholder (which is a third party independent of the Company and its connected persons) in favour of the Company. The Deposit was financed from the Group's internal resources. The Directors (including the independent non-executive Directors) consider that the Deposit, as one of the terms of the LOI, in exchange for an exclusivity period agreed by the Vendor from the date of the LOI up to 29 May 2006, is determined and negotiated by the parties to the LOI on an arm's length basis and is fair and reasonable, under normal commercial terms and in the interests of the Company and the Shareholders as a whole.

If no legally-binding Formal Agreement has been entered into on or before the aforesaid date, the Deposit will be refunded to Group in full (without interest) within two business days.

The consideration for the Possible Acquisition (including the method of payment) shall be subject to further negotiation between the parties, the property valuation of the Hotel and the due diligence to be conducted by the Group on the Hotel.

The LOI does not constitute legally-binding commitment in respect of the Possible Acquisition. The Possible Acquisition will be subject to the execution and completion of the Formal Agreement.

If the Formal Agreement is entered into, it is expected that the Possible Acquisition will constitute a notifiable transaction on the part of the Company pursuant to the Listing Rules. In this regard, the Company will comply with the reporting, disclosure and/or shareholders' approval requirements under the Listing Rules.

Reasons for the Possible Acquisition

Following the disposal of Daido Building Materials Limited, Daido Home International (B.V.I.) Limited, Daido Home International Limited and Ytong Hong Kong Limited as announced by the Company dated 22 February 2006, the Group has been looking for further investment opportunities in order to broaden the Group's business and maximize the return of the Shareholders.

Subject to the due diligence to be conducted by the Group on the Target and the Hotel, it is expected that the Possible Acquisition will be a good opportunity for the Group in future taking into account of the following factors: (i) the economy of Macau has been growing steadily. In particular, the number of visitors visiting Macau has always increased at a double digit during the last years and as such, the demand for quality hotel complex is increasing; (ii) the Macau government's recent policy and emphasis on promoting the travel and entertainment industry; (iii) the increasing awareness of the Cotai strip or better known as the "Las Vegas of the East" would pull even more family visitors to Macau; and (iv) the centralisation of all entertainment facilities including the casino in the Hotel of substantial scale is expected to have a competitive advantages over the other hotels which in turn will attract customers.

The Board wishes to emphasize that no binding agreement in relation to the Possible Acquisition has been entered into as at the date of this announcement. As such, the Possible Acquisition may or may not proceed. If the Possible Acquisition is materialized, it will constitute a notifiable transaction on the part of the Company. Shareholders and investors are urged to exercise caution when dealing in the securities of the Company. Further announcement in respect of the Possible Acquisition will be made by the Company in the event any Formal Agreement has been signed.

General

The Group is principally engaged in the provision of cold storage services, the manufacturing and trading of ice in Hong Kong and the provision of logistics services and properties investment. The Board will continue the existing principal activities of the Group.

The payment of the Deposit constitutes an advance pursuant to Rule 13.13 of the Listing Rules and constitutes a discloseable transaction of the Company under the Listing Rules as it exceeds 5% but not more than 25% of the applicable five tests under Chapter 14 of the Listing Rules. A circular containing, among other things, details of the LOI and the Deposit will be despatched to the Shareholders as soon as practicable.

CLARIFICATION OF CERTAIN ARTICLES

Reference is made to various articles appeared in some newspapers of 2 May 2006 and 3 May 2006 referring to the proposed injection of assets by a PRC company into the Company in exchange of the controlling stakes in the Company, and the proposed amendments of the Memorandum of Association and the Bye-laws of the Company for the increase in authorised share capital. The Board wishes to clarify that the relevant information is incorrect and that it does not know the sources of such information. The Board confirms that there has not been any plan to inject any assets from a PRC company into the Group in exchange for the controlling stakes in the Company and that there is no plan for increasing the authorised share capital of the Company at the moment and that save for the LOI in relation to the Possible Acquisition, there are no negotiations or agreements relating to intended acquisitions or realisations which

are discloseable under Rule 13.23 of the Listing Rules, neither is the Board aware of any matter discloseable under the general obligation imposed by Rule 13.09 of the Listing Rules, which is or may be of a price-sensitive nature.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company has been suspended from 9:30 a.m. on 3 May 2006 pending the issue of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the shares of the Company with effect from 9:30 a.m. on 4 May 2006.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

“Board”	the board of Directors
“Company”	Daido Group Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the main board of the Stock Exchange
“connected persons”	has the meaning ascribed thereto in the Listing Rules
“Deposit”	HK\$50,000,000 being the refundable deposit paid by the Group under the LOI for the Possible Acquisition
“Director(s)”	the director(s) of the Company
“Formal Agreement”	the formal sale and purchase agreement which may or may not be entered into in relation to the Possible Acquisition
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hotel”	a four star hotel resort complex located at Site A1, Avendia Marginal Flor de Lotus close to Ratunda do Dique Oeste Cotai, Macau
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LOI”	the non-legally binding letter of intent dated 2 May 2006 entered into between the Company and the Vendor setting out the preliminary understanding in relation to the Possible Acquisition
“Macau”	the Macau Special Administrative Region of the PRC
“Possible Acquisition”	the possible acquisition by the Group from the Vendor of the entire issued share capital of the Target as contemplated in the LOI
“PRC”	the People’s Republic of China, which for the purposes of this announcement, excludes Hong Kong, Macau and Taiwan
“Shareholder(s)”	shareholders of the Company

“sq.m.”	square metres
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	Jumbonet International Profits Limited which is a company incorporated in the British Virgin Islands with limited liability
“Vendor”	Ever Apollo Limited, a company incorporated in the British Virgin Islands and to the best of Directors knowledge, information and belief having made all reasonable enquiries, is an investment holding company for holding its beneficial interests in the Hotel and a third party independent of the Company and its connected persons under the Listing Rules

By order of the Board
Daido Group Limited
Choy Kai Sing
Company Secretary

Hong Kong, 3 May 2006

As at the date of this announcement, the Board comprises executive Directors, namely Mr. To Shu Fai, Mr. Fung Wa Ko and Mr. Tang Tsz Man, Philip and independent non-executive Directors, namely, Mr. Leung Chi Hung, Mr. Leung, Tsz Fung David Ferreira and Mr. Tse Yuen Ming.

** For identification purpose only*