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## **DAIDO GROUP LIMITED**

**大同集團有限公司\***

*(incorporated in Bermuda with limited liability)*

**(Stock code: 544)**

### **(1) PLACING AND SUBSCRIPTION OF SHARES**

**AND**

### **(2) RESUMPTION OF TRADING**

**PLACING AGENT**



**PACIFIC FOUNDATION SECURITIES LIMITED**

#### **Placing and Subscription of Shares**

On 22 May 2006, Top Synergy entered into the Placing and Subscription Agreement with the Placing Agent pursuant to which the Placing Agent agreed with Top Synergy to place up to 600,000,000 existing Shares at the Placing Price of HK\$0.116 per Placing Share on behalf of Top Synergy to not less than six places who will be third parties independent of the Group and its connected persons on a best efforts basis.

Under the Placing and Subscription Agreement, Top Synergy has agreed to subscribe for up to the 600,000,000 Subscription Shares, which is equal to the number of Placing Shares that it place under the Placing. The Subscription is conditional upon (i) the granting of approval for the listing of, and permission to deal in, the Subscription Shares by the Listing Committee of the Stock Exchange; and (ii) the completion of the Placing. An application will be made to the Listing Committee of the Stock Exchange for granting approval for the listing of, and permission to deal in, the Subscription Shares.

The Placing Price represents (i) a discount of 7.2% to the closing price of HK\$0.125 per Share as quoted on the Stock Exchange on 19 May 2006, being the last trading day immediately before the date of the Placing and Subscription Agreement and the last trading day before the terms of the Placing and the Subscription were fixed; (ii) a discount of approximately 6.45% to the average of the closing prices of approximately HK\$0.124 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 19 May 2006; and (iii) a premium of approximately 10.48% over net asset value per Share of approximately HK\$0.105 as at 31 December 2005 as shown in the audited consolidated balance sheet of the Group made up to 31 December 2005.

The Placing Price was arrived at after arm's length negotiations among the Company, Top Synergy and the Placing Agent with reference to the closing price as shown above. The Directors consider that the Placing Price and the terms of the Placing and Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The Placing Shares represent 20% of the existing issued share capital of the Company. The Subscription Shares represent approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

The Subscription Shares are to be issued under the General Mandate.

The net proceeds of the Subscription as to approximately HK\$67,200,000 will be applied by the Group as to approximately HK\$50,000,000 to fund its payment obligations under the Possible Acquisition and as to approximately HK\$17,200,000 for general working capital of the Group. If the Possible Acquisition does not materialise, the Directors intend to apply such proceeds towards the future investments. As at the date of this announcement, the Directors have not identified any investment opportunities other than the Possible Acquisition. The Company will comply with the Listing Rules in relation to such future investments.

### **Resumption of trading**

At the request of the Company, trading in the Shares has been suspended with effect from 9:30 a.m. on 22 May 2006 pending the issue of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 24 May 2006.

## **PLACING AND SUBSCRIPTION AGREEMENT DATED 22 MAY 2006**

Pursuant to the Placing and Subscription Agreement, the Placing Agent has agreed with Top Synergy to place up to 600,000,000 existing Shares on behalf of Top Synergy at the Placing Price on a best efforts basis. On the next business day after the conditions of the Subscription have been fulfilled, the Company will allot and issue 600,000,000 new Shares to Top Synergy, which is equal to the number of Placing Shares that they place under the Placing, at the Subscription Price. Details of the Placing and the Subscription are set out below.

### **I. Placing**

#### *The Vendor*

Top Synergy currently holds 2,023,231,329 Shares or approximately 67.44% of the existing issued share capital of the Company.

#### *The Placing Agent*

Pacific Foundation Securities Limited has been appointed to place the Placing Shares on a best efforts basis and will receive a placing commission of 2.75% on the gross proceeds from the Placing. The placing commission was arrived at after arm's length negotiations between the Company and the Placing Agent. The Placing Agent and its ultimate beneficial owner(s) are third parties independent of the Group and its connected persons.

#### *The Placees*

The Placing Shares shall be placed to not less than six individual placees. The placees and their ultimate beneficial owners shall not be connected persons of the Company and shall be third parties independent of the Group and its connected persons. The placees and their ultimate beneficial owners shall also be third parties independent of Top Synergy and its connected persons. The placees and their ultimate beneficial owners shall be independent of and not connected with other placees and their ultimate beneficial owners. No placees will become substantial Shareholders as a result of the Placing.

#### *Number of Placing Shares*

The number of Placing Shares shall be up to 600,000,000 Shares. The Placing Shares represent 20% of the existing issued share capital of the Company and approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

### *Placing Price*

The Placing Price of HK\$0.116 per Placing Share represents:

- (i) a discount of 7.2% to the closing price of HK\$0.125 per Share as quoted on the Stock Exchange on 19 May 2006, being the last trading day immediately before the date of the Placing and Subscription Agreement and the last trading day before the terms of the Placing and the Subscription were fixed;
- (ii) a discount of approximately 6.45% to the average of the closing prices of approximately HK\$0.124 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 19 May 2006; and
- (iii) a premium of approximately 10.48% over net asset value per Share of approximately HK\$0.105 as at 31 December 2005 as shown in the audited consolidated balance sheet of the Group made up to 31 December 2005.

The Placing Price was arrived at after arm's length negotiations among the Company, Top Synergy and the Placing Agent with reference to the closing prices as shown above. The Directors consider that the Placing Price and the terms of the Placing and Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

### *Rights*

The Placing Shares will be sold free of any liens, charges, encumbrances and other third party rights.

### *Completion of the Placing*

The Placing is unconditional. Completion of the Placing is expected to take place on 26 May 2006. Under the Placing and Subscription Agreement, the Placing Shares will be placed by the Placing Agent to not less than six placees who will be third parties independent of the Group and its connected persons on a best efforts basis.

## **II. Subscription**

### *The Issuer*

The Company

### *The Subscriber*

Top Synergy, which, as at the date of this announcement, is interested in approximately 67.44% of the existing issued share capital of the Company. Immediately after completion of the Placing, the total shareholding of Top Synergy will be reduced to approximately 47.44% of the existing issued share capital of the Company. The Subscription will then increase the total shareholding of Top Synergy to approximately 56.20% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

### *Number of Subscription Shares*

The number of Subscription Shares shall be equivalent to the number of Shares placed pursuant to the Placing. Assuming all the 600,000,000 Placing Shares has been placed, the Subscription Shares represent 20% of the existing issued share capital of the Company and approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

### *Subscription Price*

The subscription price is HK\$0.116 per Subscription Share, which is equivalent to the Placing Price. In line with the market practice, the Company will bear all costs and expenses of the Subscription and will reimburse Top Synergy all costs and expenses incurred by Top Synergy in respect of the Placing because it is the fund raising conducted by the Company. Based on the estimated expenses for the Placing and the Subscription, the net subscription price is approximately HK\$0.112 per Share.

### *Rights*

The Subscription Shares, when allotted and issued, will rank equally in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Subscription Shares.

### *Mandate to issue the Subscription Shares*

The Subscription Shares are to be issued under the General Mandate. Under the General Mandate, up to 600,000,000 Shares, representing 20% of the issued Shares as at the date of the annual general meeting of the Company held on 27 May 2005, may be issued by the Company. As at 27 May 2005, the date of the passing of the resolution to grant the General Mandate, the issued share capital of the Company was 3,000,000,000 Shares. As at the date of this announcement, no Share has been issued under the General Mandate and the issued share capital of the Company is 3,000,000,000 Shares.

### *Conditions of the Subscription*

The Subscription is conditional upon the following conditions having been fulfilled by 5 June 2006 (or such other date as may be agreed between the Company and Top Synergy):

- (i) the completion of the Placing pursuant to the Placing and Subscription Agreement; and
- (ii) the Listing Committee of the Stock Exchange granting or agreeing to grant approval for the listing of, and permission to deal in the Subscription Shares.

In the event that the conditions of the Subscription are not fulfilled in full by the date stipulated, neither the Company nor Top Synergy shall have any obligations and liabilities under the Subscription.

### *Completion of the Subscription*

Completion of the Subscription will take place on the next business day after the conditions of the Subscription are fulfilled. The Subscription must be completed and the Subscription Shares must be issued on or before 5 June 2006, being 14 days from the date of the Placing and Subscription Agreement. If the Subscription is to be completed thereafter, it will constitute a connected transaction under the Listing Rules and require compliance with all the relevant requirements under Chapter 14A of the Listing Rules, including but not limited to the issue of a separate announcement and approval of the independent Shareholders.

### *Application for listing*

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

## CHANGES OF SHAREHOLDING STRUCTURE

The changes of the shareholding structure of the Company as a result of the Placing and the Subscription, assuming all the Placing Shares are sold in full, are as follows:

Shareholder	Shareholding as at the date of this announcement and immediately before completion of the Placing and the Subscription	Shareholding immediately after completion of the Placing but before completion of the Subscription	Shareholding immediately after completion of the Placing and the Subscription
Top Synergy ( <i>Note 1</i> )	2,023,231,329 Shares (approximately 67.44%)	1,423,231,329 Shares (approximately 47.44%)	2,023,231,329 Shares (approximately 56.20%)
The places	—	600,000,000 Shares (20%)	600,000,000 Shares (approximately 16.67%)
Public Shareholders (other than the places)	976,768,671 Shares (approximately 32.56%)	976,768,671 Shares (approximately 32.56%)	976,768,671 Shares (approximately 27.13%)
Total	3,000,000,000 Shares (100%)	3,000,000,000 Shares (100%)	3,600,000,000 Shares (100%)

*Note:*

1. The 2,023,231,329 Shares are held by Top Synergy, the ultimate holding company of the Company, which 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 Chairman of the Company and an executive Director. The entire issued share capital of EAEL is owned by Mr. Chung Chiu Pui, Ms. Foo Hang Luen, Monita, Ms. Lee Yun and Mr. Yuen Kin Wing in equal shares.

## REASONS FOR THE PLACING AND SUBSCRIPTION

The Group is principally engaged in the provision of cold storage services, the manufacturing and trading of ice in Hong Kong, the provision of logistics services and properties investment.

The Board considers that it is beneficial to the Company and the Shareholders as a whole to raise capital for the Possible Acquisition by way of the Placing and the Subscription as it will broaden the capital and shareholder base of the Company and thereby increasing the liquidity of the Shares. The net proceeds of the Subscription as to approximately HK\$50,000,000 will be applied by the Group to fund its payment obligations under the Possible Acquisition and as to approximately HK\$17,200,000 for general working capital of the Group. If the Possible Acquisition does not materialise, the Directors intend to apply such proceeds towards the future investments. As at the date of this announcement, the Directors have not identified any investments opportunities other than the Possible Acquisition. The Company will comply with the Listing Rules in relation to such future investments.

The Directors consider that the Placing and Subscription Agreement are entered into upon normal commercial terms following arm’s length negotiations among the Company, Top Synergy and the Placing Agent and that the terms of the Placing and Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The Group has not conducted any fund raising activities during the 12 months immediately preceding the date of this announcement.

## RESUMPTION OF TRADING

At the request of the Company, trading in the Shares has been suspended with effect from 9:30 a.m. on 22 May 2006 pending the issue of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 24 May 2006.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

“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 Stock Exchange
“connected person(s)”	has the meaning ascribed to this term under the Listing Rules
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“General Mandate”	the general mandate to allot, issue and deal with Shares granted to the Directors by the Shareholders by a resolution passed at the annual general meeting of the Company held on 27 May 2005
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placing”	the placing of the Placing Shares by the Placing Agent on behalf of Top Synergy pursuant to the Placing and Subscription Agreement
“Placing Agent”	Pacific Foundation Securities Limited
“Placing and Subscription Agreement”	the conditional placing and subscription agreement dated 22 May 2006 and entered into among Top Synergy, the Company and the Placing Agent in respect of the Placing and the Subscription
“Placing Price”	the placing price of HK\$0.116 per Placing Share
“Placing Shares”	up to 600,000,000 Shares beneficially owned by Top Synergy and which will be placed by the Placing Agent on behalf of Top Synergy pursuant to the Placing and Subscription Agreement
“Possible Acquisition”	the possible acquisition of the entire issued share capital of the Target, details of which are set out in the announcement and circular of the Company dated 3 May 2006 and 16 May 2006 respectively
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Subscription”	the subscription for the Subscription Shares by Top Synergy pursuant to the Placing and Subscription Agreement



“Subscription Shares”	up to 600,000,000 Shares for which Top Synergy has conditionally agreed to subscribe pursuant to the Placing and Subscription Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	Jumbonet International Profits Limited, a company incorporated in the British Virgin Islands with limited liability
“Top Synergy”	Top Synergy Associates Limited, the controlling shareholder of the Company
“HK\$”	Hong Kong dollars, the lawful currency for the time being of Hong Kong
“%”	per cent.

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

Hong Kong, 23 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*