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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)

**FURTHER DELAY IN DESPATCH OF CIRCULAR,
EXTENSION OF LONG STOP DATE
AND
CHANGE OF USE OF PROCEEDS**

As additional time is required to finalise the financial information in the Circular, the Company has applied to the Stock Exchange for a waiver from strict compliance with Rule 14.38 of the Listing Rules such that the despatch of the Circular is to be further postponed to on or before 21 August 2006.

As additional time is required to satisfy the conditions to the Agreement, the parties to the Agreement have agreed to extend the Long Stop Date to 7 September 2006 or such other date as the parties to the Agreement may agree. Save as to the extension of Long Stop Date, all the terms of the Agreement remained unchanged.

The Board also announces its intention to change of the use of Proceeds of the Subscription. The Group proposed to use the entire amount of the Proceeds to fund its payment obligations under the Acquisition.

Reference is made to the announcement (the “**First Announcement**”) of the Company in relation to the very substantial acquisition dated 7 June 2006 and the announcements (the “**Second and Third Announcements**”) of the Company in relation to the delay in despatch of circular dated 28 June 2006 and 28 July 2006. Definitions and terms used in this announcement, unless the context requires otherwise, shall bear the same meanings as those defined in the First Announcement.

FURTHER DELAY IN DESPATCH OF CIRCULAR

Pursuant to Rule 14.38 of the Listing Rules, the Company is required to despatch the circular (the “**Circular**”) containing, among other things, details of the Acquisition, information regarding the Target Group and a notice of the SGM to the Shareholders within 21 days after the publication of the First Announcement, which shall be on or before 29 June 2006. As disclosed in the Second and Third Announcements, the Company had applied for a waiver with the Stock Exchange from strict compliance with Rule 14.38 of the Listing Rules such that the despatch of the Circular was delayed to on or before 12 August 2006. During the period from 1 August 2006 to 12 August 2006, the auditors of the Company have been finalising the accountants’ report on the Target Group and the pro forma financial statements of the Enlarged Group, and reviewing the indebtedness statement which has been updated to 30 June 2006. As additional time is required to finalise the financial information in the Circular, the Company has applied to the Stock Exchange for a waiver from strict compliance with Rule 14.38 of the Listing Rules such that the despatch of the Circular is to be further postponed to on or before 21 August 2006.

As set out in First Announcement, the consideration of HK\$336 million payable under the Agreement is for the acquisition of the Sale Share. The Board wishes to clarify that the consideration of HK\$336 million should be for the acquisition of the Sale Share and the assignment of the shareholder's loan (the "Sale Loan") owed by the Target to the Vendor on Completion. As at the date of the Agreement, the Sale Loan amounted to HK\$144.0 million. Further details of the Sale Loan are to be included in the Circular.

EXTENSION OF LONG STOP DATE

As disclosed in the First Announcement, if any of the conditions to the Agreement is not fulfilled by 31 August 2006 (the "Long Stop Date"), or such other date as the parties to the Agreement may agree, the Deposits paid by the Purchaser shall be refunded on the same date without interest by the Vendor and the Agreement shall cease and determine.

As additional time is required to satisfy the conditions to the Agreement, the parties to the Agreement have agreed to extend the Long Stop Date to 7 September 2006 or such other date as the parties to the Agreement may agree. The Board considered that it is in the interests of the Company and its shareholders to agree to extend the Long Stop Date. Save as to the extension of Long Stop Date, all the terms of the Agreement remained unchanged.

CHANGE OF USE OF PROCEEDS

Reference is made to the announcement (the "Placing Announcement") of the Company in relation to the placing and subscription (the "Subscription") of up to 600,000,000 Shares dated 23 May 2006 and the announcement (the "Completion Announcement") of the Company in relation to the completion of the placing dated 26 May 2006.

Pursuant to the Placing Announcement, the Subscription was conducted on a best effort basis. The net proceeds (the "Proceeds") of the Subscription as to approximately HK\$50,000,000 would be applied by the Group to fund its payment obligations under the Acquisition and as to approximately HK\$17,200,000 for general working capital of the Group. As set out in the Completion Announcement, the placing agent had only successfully placed a total of 480,000,000 Shares. As such, the Proceeds had been reduced to approximately HK\$54,000,000. The reduction in the Proceeds as initially anticipated by the Company has led the Company to reassess its plan for the utilisation of the Proceeds.

In view of the above, the Board considered that it is in the interests of the Company and its shareholders to change the use of Proceeds. The Group proposed to use the entire amount of the Proceeds to fund its payment obligations under the Acquisition.

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

Hong Kong, 15 August 2006

As at the date of this announcement, the Board comprises executive Directors, namely, 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