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If you have sold or transferred all your shares in Daido Group Limited, you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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DAIDO GROUP LIMITED

大同集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock code: 544)

**DISCLOSEABLE TRANSACTION:
PAYMENT OF DEPOSIT IN RESPECT OF
THE POSSIBLE ACQUISITION**

A letter from the board of directors of the Company is set out on pages 3 to 6 of this circular.

* For identification purpose only

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	3
Introduction	3
Letter of Intent in respect of the Possible Acquisition	4
Major terms of the LOI	4
Deposit	4
Reasons for the Possible Acquisition	5
General	5
Listing Rules Implication	6
Further Information	6
Appendix — General information	7

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“associates”	has the meaning ascribed to this term under the Listing Rules
“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)”	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”	Grand Waldo Complex, a four star hotel resort complex located at Site A1, Avendia Marginal Flor de Lotus close to Ratunda do Dique Oeste Cotai, Macau
“Latest Practicable Date”	12 May 2006, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“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 circular, excludes Hong Kong, Macau and Taiwan
“SFC”	the Securities and Futures Commission of Hong Kong

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of the Shares
“Shares”	ordinary shares of HK\$0.01 each in the share capital 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
“%”	per cent.

DAIDO

DAIDO GROUP LIMITED

大同集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock code: 544)

Directors:

Executive Directors:

Mr. To Shu Fai

Mr. Fung Wa Ko

Mr. Tang Tsz Man, Philip

Independent non-executive Directors:

Mr. Leung Chi Hung

Mr. Leung, Tsz Fung David Ferreira

Mr. Tse Yuen Ming

Registered Office:

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

**Head Office and Principal Place
of Business:**

Unit No. 1906, 19/F

West Tower

Shun Tak Centre

168–200 Connaught Road Central

Hong Kong

16 May 2006

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION:
PAYMENT OF DEPOSIT IN RESPECT OF
THE POSSIBLE ACQUISITION**

INTRODUCTION

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.

* For identification purpose only

LETTER FROM THE BOARD

LETTER OF INTENT IN RESPECT OF THE POSSIBLE ACQUISITION

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 had its unofficial soft launch on 3 May 2006 and is expected to commence operation in 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 (or such later date to be agreed by the parties thereto), 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 personal guarantee, a share charge in respect of the entire issued share capital of the Target and an assignment of shareholder's loan in the amount of about HK\$144 million due by the Target to the Vendor 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 which has no effect on the earnings and total assets and liabilities of the Group. 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 (or such later date to be agreed by the parties thereto), 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.

LETTER FROM THE BOARD

If no legally-binding Formal Agreement has been entered into on or before 29 May 2006 (or such later date to be agreed by the parties thereto), the Deposit will be refunded to Group in full (without interest) within two business days from the aforesaid date.

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 Latest Practicable Date. 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 there is any material development for the Possible Acquisition or 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, the provision of logistics services and properties investment. The Board will continue the existing principal activities of the Group.

LETTER FROM THE BOARD

LISTING RULES IMPLICATION

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.

FURTHER INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular.

Yours faithfully
For and on behalf of the Board
Daido Group Limited
To Shu Fai
Chairman

1. RESPONSIBILITY STATEMENTS

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(a) Director's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests or short positions of Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have taken under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register kept by the Company; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, were as follows:

Directors' interests in the Company

Long positions:

Name of Director	Capacity	Total interest	Percentage of total issued share capital
Mr. To Shu Fai (<i>Note</i>)	Held by controlled corporations	2,023,231,329 Shares	67.44%

Note: The 2,023,231,329 Shares are held by Top Synergy Associates Limited ("Top Synergy"), the ultimate holding company of the Company which is 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 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. Mr. To Shu Fai and Mr. Tang Tsz Man, Philip, the executive Directors, are also the directors of Top Synergy.

Directors' interest in the Company's associated corporations

Long positions:

Name of Director	Name of associated corporation	Total interest	Percentage of total issued share capital
Mr. To Shu Fai	VHL	1 share	100%
Mr. To Shu Fai	Top Synergy	1 share	50%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have taken under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register kept by the Company; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

(b) Parties who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial Shareholders

So far as is known to the Directors or chief executives of the Company, as at the Latest Practicable Date, the following parties (not being a Director or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Long positions:

Name of Shareholder	No. of Shares held	Percentage of total issued share capital
Top Synergy Associates Limited (<i>Note 1</i>)	2,023,231,329	67.44%
Vision Harvest Limited (<i>Note 1</i>)	2,023,231,329	67.44%
Ever Achieve Enterprises Limited (<i>Note 1</i>)	2,023,231,329	67.44%
Mr. Chung Chiu Pui (<i>Note 1</i>)	2,023,231,329	67.44%
Ms. Foo Hang Luen, Monita (<i>Note 1</i>)	2,023,231,329	67.44%
Ms. Lee Yun (<i>Note 1</i>)	2,023,231,329	67.44%
Mr. Yuen Kin Wing (<i>Note 1</i>)	2,023,231,329	67.44%
Ms. Hui Yin Man (<i>Note 2</i>)	2,023,231,329	67.44%
Ms. Chan Yee Wan (<i>Note 3</i>)	2,023,231,329	67.44%
Mr. Kwok Yuk Hei (<i>Note 4</i>)	2,023,231,329	67.44%
Mr. Jiu Ziang Hwa (<i>Note 5</i>)	2,023,231,329	67.44%
Ms. Tsang Yun Kiu (<i>Note 6</i>)	2,023,231,329	67.44%

Notes:

1. The 2,023,231,329 Shares are held by Top Synergy Associates Limited (“Top Synergy”), the ultimate holding company of the Company which is 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 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.
2. Ms. Hui Yin Man is the spouse of Mr. To Shu Fai, being the sole shareholder of VHL and the executive Director. Accordingly, Ms. Hui Yin Man has a family interest in 2,023,231,329 Shares.

3. Ms. Chan Yee Wan is the spouse of Mr. Chung Chiu Pui, being one of the shareholders of EAEL. Accordingly, Ms. Chan Yee Wan has a family interest in 2,023,231,329 Shares.
4. Mr. Kwok Yuk Hei is the spouse of Ms. Foo Hang Luen, Monita, being one of the shareholders of EAEL. Accordingly, Mr. Kwok Yuk Hei has a family interest in 2,023,231,329 Shares.
5. Mr. Jiu Ziang Hwa is the spouse of Ms. Lee Yun, being one of the shareholders of EAEL. Accordingly, Mr. Jiu Ziang Hwa has a family interest in 2,023,231,329 Shares.
6. Ms. Tsang Yun Kiu is the spouse of Mr. Yuen Kin Wing, being one of the shareholders of EAEL. Accordingly, Ms. Tsang Yun Kiu has a family interest in 2,023,231,329 Shares.

Save as disclosed above, as at the Latest Practicable Date, the Directors or chief executives of the Company are not aware of any other person (other than a Director or chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation)).

4. COMPETING INTEREST

As at the Latest Practicable Date, so far as the Directors are aware of, no Directors or their respective associates had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

5. LITIGATION

At the Latest Practicable Date, the Group was engaged in the following litigation:

By a summons issued in the Magistrate's Court dated 1 March 2006, the Company was charged by the SFC with an offence under S.384 of the SFO relating to an announcement issued by the Company on 16 October 2003. It is alleged that the announcement contained false or misleading information. The Company has pleaded not guilty to the charge and the matter has been fixed for a trial on 31 July 2006.

Save for the above, no members of the Group was engaged in any litigation or arbitration or claim of material importance and there was no litigation, arbitration or claim of material importance known to the Directors to be pending or threatened by any member of the Group.

At the Latest Practicable Date, Mr. To Shu Fai, the executive Director was engaged in the following litigations in relation to the SFO:

- (a) By a summons issued by the Magistrate's Court dated 1 March 2006, Mr. To Shu Fai was charged by the SFC with an offence under S.384 of the SFO relating to the announcement issued by the Company on 16 October 2003. It is alleged that the announcement contained false and misleading information;
- (b) By two summons issued by the Magistrate's Court both dated 1 March 2006, Mr. To Shu Fai was charged by the SFC in respect of the alleged non-compliance with the requirements for notification of cessation of interest in 200 million Shares by Mr. To Shu Fai as Director to the Stock Exchange and the Company, respectively as laid down under the SFO; and
- (c) By four summons issued by the Magistrate's Court all dated 1 March 2006, Mr. To Shu Fai was charged by the SFC in his capacity as a director of Top Synergy and Vision Harvest Limited ("VHL") in respect of the alleged non-compliance with the requirements for notification of cessation of interest in 200 million Shares by Top Synergy to the Stock Exchange and the Company, respectively and also by VHL to the Stock Exchange and the Company respectively.

Mr. To Shu Fai has pleaded not guilty to the above charges and the matter has been fixed for a trial on 31 July 2006.

6. MISCELLANEOUS

- (a) The registered office of the Company is Clarendon House, 2 Church Street, Hamilton HK11, Bermuda and the principal place of business of the Company in Hong Kong is at Unit No. 1906, 19/F., West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong.
- (b) The company secretary and qualified accountant of the Company is Mr. Choy Kai Sing, a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.
- (c) The Company's branch share registrar and transfer office is Union Registrars Limited at 311–312 Two Exchange Square, Central, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text in the case of any inconsistency.