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DAIDO GROUP LIMITED

大同集團有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 00544)

PROPOSED CAPITAL REORGANISATION AND INCREASE IN AUTHORISED SHARE CAPITAL

PROPOSED CAPITAL REORGANISATION

The Board announces that the Company proposes to effect the Capital Reorganisation by way of

- (i) the Share Consolidation of every five (5) issued and unissued Shares of HK\$0.01 each into one (1) Consolidated Share of HK\$0.05;
- (ii) the reduction of the issued share capital of the Company through a cancellation of the paid-up capital of the Company to the extent of HK\$0.04 on each of the issued Consolidated Shares so that the nominal value of each issued Consolidated Share will be reduced from HK\$0.05 to HK\$0.01; and
- (iii) the transfer of the credit arising from the Capital Reduction to the special capital reserve account of the Company.

Immediately following the Capital Reorganisation, the board lots size of the New Shares will remain in board lots of 20,000 New Shares. Based on the closing price of HK\$0.041 per Share as at 20 October 2009, the value of each board lot of 20,000 New Shares would be HK\$4,100.

Shareholders should be aware of and take note that the Capital Reorganisation is conditional upon satisfaction of the conditions precedent set out in the paragraph headed “Conditions of the Capital Reorganisation” below, and therefore may or may not proceed.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

The Board proposes that, immediately after the Capital Reorganisation, to seek the approval by way of ordinary resolution at the SGM by Shareholders of an increase in its authorised share capital from HK\$10,000,000 divided into 1,000,000,000 New Shares of HK\$0.01 each to HK\$600,000,000 divided into 60,000,000,000 New Shares of HK\$0.01 each by creating an additional 59,000,000,000 unissued New Shares.

A circular containing, among other matters, further details of the Capital Reorganisation, the increase in authorised share capital of the Company and a notice to convene the SGM will be despatched to the Shareholders in compliance with the Listing Rules.

PROPOSED CAPITAL REORGANISATION

The Board proposes to effect the Capital Reorganisation by way of

- (i) the Share Consolidation of every five (5) issued and unissued Shares of HK\$0.01 each into one (1) Consolidated Share of HK\$0.05;
- (ii) the reduction of the issued share capital of the Company through a cancellation of the paid-up capital of the Company to the extent of HK\$0.04 on each of the issued Consolidated Shares so that the nominal value of each issued Consolidated Share will be reduced from HK\$0.05 to HK\$0.01; and
- (iii) the transfer of the credit arising from the Capital Reduction to the special capital reserve account of the Company.

As at the date of this announcement, the authorised share capital of the Company is HK\$50,000,000 divided into 5,000,000,000 Shares of HK\$0.01 each, of which 4,998,000,000 Shares of HK\$0.01 each in issue which are fully paid or credited as fully paid. Assuming no further Shares will be issued from the date of this announcement up to the date of the SGM, there will be 999,600,000 Consolidated Shares of HK\$0.05 each in issue which are fully paid or credited as fully paid following the Share Consolidation. There will be 999,600,000 New Shares of HK\$0.01 each in issue which are fully paid or credited as fully paid following the Capital Reorganisation.

Assuming no further Shares will be issued from the date of this announcement up to the date of the SGM, the credit arising from the Capital Reduction is HK\$39,984,000, which will be credited to the special capital reserve account of the Company.

As at the date of this announcement, save for the Convertible Bonds in the outstanding principal amount of HK\$24,400,000 entitling the holders thereof to exercise the conversion rights attached thereto the Convertible Bonds to subscribe for 210,344,827 Shares (equivalent 42,068,965 New Shares), there are no outstanding options, warrants or securities convertible or exchangeable into Shares.

Conditions of the Capital Reorganisation

The implementation of the Capital Reorganisation is conditional upon:

- (i) the passing of the necessary resolution(s) by the Shareholders at the SGM to approve the Capital Reorganisation involving the Share Consolidation and the Capital Reduction;
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the New Shares arising from the Capital Reorganisation; and
- (iii) compliance with the relevant procedures and requirements under Bermuda law and the Listing Rules to effect the Capital Reorganisation.

Listing application

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the New Shares arising from the Capital Reorganisation.

Board lot size

As at the date of this announcement, Shares are traded in board lots of 20,000 Shares. Following the Capital Reorganisation, the board lots size of the New Shares will remain in board lots of 20,000 New Shares.

Based on the closing price of HK\$0.041 per Share as at 20 October 2009, the value of each board lot of 20,000 New Shares, assuming the Capital Reorganisation had already been effective, would be HK\$4,100.

In order to alleviate the difficulties arising from the existence of odd lots of Share Consolidation, the Company has agreed to procure Cinda International Securities Limited to arrange for matching services regarding the sale and purchase of odd lots of Share Consolidation from 24 November 2009 to 29 December 2009 (both days inclusive). Shareholders of odd lots of the Share Consolidation may contact Mr. Leung Siu Wa of Cinda International Securities Limited (telephone number: 2235-7801) during the aforesaid period. Shareholders should note that matching of the sale and purchase of odd lots of Share Consolidation is on a best effort basis and successful matching of the sale and purchase of such odd lots is not guaranteed. The Company will bear the costs relating to the matching of sale and purchase of odd lots of the Share Consolidation.

Status of the New Shares

The New Shares will rank *pari passu* in all respects with each other and the Capital Reorganisation will not result in any change in the relative rights of the Shareholders. Fractional New Shares will not be issued by the Company to Shareholders. Any fractional entitlement to the New Shares will be aggregated, sold and retained for the benefit of the Company. Further details regarding the Capital Reorganisation will be set out in the circular containing the notice of SGM.

Reasons for Capital Reorganisation

The Capital Reorganisation involves the Share Consolidation and the Capital Reduction.

The Board is of the opinion that the Capital Reorganisation will provide the Company with greater flexibility for the issue of new Shares in the future. Further, the credit in the special capital reserve account arising from the Capital Reduction may be applied in the future for distribution to the Shareholders or in any manner permitted by the laws of Bermuda and the bye-laws of the Company.

The Directors are of the view that the Capital Reorganisation is fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Exchange of Certificate for New Shares

Subject to the Capital Reorganisation becoming effective, which is currently expected to be 24 November 2009, being the business day immediately after the date of the SGM, Shareholders may on or after 24 November 2009 and until 4:00 p.m. on 4 January 2010, (both days inclusive), submit their existing share certificates for the Shares to the Registrar for exchange for share certificates for the New Shares at the expense of the Company.

Shareholders should note that after the prescribed time for free exchange of share certificates, a fee of HK\$2.50 (or such higher amount as may from time to time be allowed by the Stock Exchange) will be payable by the Shareholders to the Registrar for exchange of share certificates.

With effect from 30 December 2009, trading will only be in New Shares which share certificates will be issued. The New Shares are to be consolidated on the basis of five (5) existing Shares to one (1) New Share. Existing share certificates for the Shares will cease to be valid for trading and settlement purpose, but will remain valid and effective as documents of title.

Expected timetable

The expected timetable for the Capital Reorganisation and the associated trading arrangement are as follows:

Despatch of the circular regarding, among other matters, the Capital Reorganisation	29 October 2009
Publication of the notice of SGM	29 October 2009
Latest time for lodging the form of proxy for the SGM	10:30 a.m. 21 November 2009
SGM	10:30 a.m. 23 November 2009
Effective date of the Capital Reorganisation	24 November 2009
Dealing in New Shares Commences	9:30 a.m. 24 November 2009
Original counter for trading in Shares in board lots of 20,000 Shares temporarily closes	9:30 a.m. 24 November 2009
Temporary counter for trading in New Shares in board lots of 4,000 New Shares opens	9:30 a.m. 24 November 2009
First day for free exchange of existing share certificates for new share certificates	24 November 2009
First day of operation of odd lot trading facility	24 November 2009
Original counter for trading in New Shares in board lots of 20,000 New Shares (in the form of new share certificates) reopens	9:30 a.m. 8 December 2009

Parallel trading in New Shares commences	9:30 a.m. 8 December 2009
Temporary counter for trading in New Shares in board lots of 4,000	
New Shares closes	4:00 p.m. 29 December 2009
Parallel trading ends	4:00 p.m. 29 December 2009
Last day of operation of odd lot trading facility	29 December 2009
Latest time for free exchange of share certificates	4:00 p.m. 4 January 2010

Adjustments in relation to the Convertible Bonds

The Share Consolidation will cause adjustments to the conversion price and the number of Consolidated Shares to be issued under the Convertible Bonds. As to the adjustments to the number of New Shares to be issued and the conversion price in respect of the Convertible Bonds, the Company will instruct its auditors or an approved merchant bank to review and certify the basis of such adjustments as soon as possible. Further announcement will be made by the Company in respect of such adjustment upon receipt of corresponding certificates on the adjustments by the Company.

Shareholders should be aware of and take note that the Capital Reorganisation is conditional upon satisfaction of the conditions precedent set out in the paragraph headed “Conditions of the Capital Reorganisation” above, and therefore may or may not proceed

Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

The Board proposes that, immediately after the Capital Reorganisation becoming effective, to seek the approval by way of ordinary resolution at the SGM by Shareholders of an increase in its authorised share capital from HK\$10,000,000 divided into 1,000,000,000 New Shares of HK\$0.01 each to HK\$600,000,000 divided into 60,000,000,000 New Shares of HK\$0.01 each by creating an additional 59,000,000,000 unissued New Shares. The Directors have no present intention of issuing the authorised share capital proposed to be increased.

GENERAL

A circular containing, among other matters, further details of the Capital Reorganisation, the increase in the authorised share capital of the Company and a notice to convene the SGM will be despatched to the Shareholders in compliance with the Listing Rules. To the best of the Directors’ knowledge, no Shareholders have a material interest in the Capital Reorganisation and are required to abstain from voting at the SGM.

Shareholders are recommended to consult their licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser if they are in doubt about any of the above matters.

DEFINITIONS

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

“Board”	the board of Directors
“Capital Reduction”	the proposed reduction in the issued share capital of the Company through a cancellation of the paid-up capital of the Company to the extent of HK\$0.04 on each of the issued Consolidated Shares so that the nominal value of each issued Consolidated Share will be reduced from HK\$0.05 to HK\$0.01
“Capital Reorganisation”	the Share Consolidation and the Capital Reduction
“Company”	Daido Group Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Stock Exchange
“Consolidated Share(s)”	consolidated ordinary share(s) of HK\$0.05 each in the issued and unissued share capital of the Company upon completion of the Share Consolidation
“Convertible Bonds”	the convertible bonds of outstanding principal amount of HK\$24,400,000, convertible into 210,344,827 Shares at HK\$0.116 per Share as at the date of this announcement
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“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
“New Shares”	shares of HK\$0.01 each in the share capital of the Company immediately upon the Capital Reorganisation becoming effective
“Registrar”	the Company’s branch share registrar and transfer office in Hong Kong, Union Registrars Limited at 18/F., Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong

“SGM”	the special general meeting of the Company to be held to consider, among other matters, the necessary resolutions to be proposed to approve the Capital Reorganisation and the increase in the authorised share capital of the Company
“Share Consolidation”	the proposed consolidation of every five (5) issued and unissued Shares of HK\$0.01 each in the capital of the Company into one (1) Consolidated Share of HK\$0.05 each
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company at the date of this announcement
“Shareholder(s)”	holder(s) of the Share(s) or as the context may require, the Consolidated Share(s) from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

By order of the Board
Daido Group Limited
Choy Kai Sing
Executive Director

Hong Kong, 21 October 2009

As at the date of this announcement, the Board comprises executive directors, namely, Mr. Au Tat Wai, Mr. Tang Tsz Man, Philip and Mr. Choy Kai Sing; non-executive director, namely Mr. Fung Wa Ko; and independent non-executive directors, namely, Mr. Fung Siu Kit, Ronny, Mr. Leung Chi Hung and Mr. Tse Yuen Ming.

** For identification purpose only*