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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Daido Group Limited, you should at once hand this circular and the accompanying form of proxy 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.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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**DAIDO GROUP LIMITED**

**大同集團有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 00544)**

**PROPOSALS FOR RE-ELECTION OF DIRECTORS  
AND  
GENERAL MANDATES  
TO ISSUE AND REPURCHASE SHARES**

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A notice convening an annual general meeting of Daido Group Limited to be held at Plaza IV, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Monday, 26 May 2008 at 10:00 a.m. is contained in the 2007 Annual Report. A form of proxy for use at the annual general meeting is enclosed with this circular. Whether or not you are able to attend the meeting, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed thereon and return the same at the offices of the Company's branch share registrar in Hong Kong, Union Registrar Limited, at Room 1901-02, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish.

\* *For identification purpose only*

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## LETTER FROM THE BOARD

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The logo for Daido Group Limited, featuring the word "DAIDO" in white, bold, uppercase letters centered within a solid black square.

### DAIDO GROUP LIMITED

大同集團有限公司\*

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 00544)**

*Executive Directors:*

Mr. Fung Wa Ko (*Chairman*)

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 HM 11

Bermuda

*Head office and principal place  
of business in Hong Kong:*

Unit No. 1906, 19th Floor

West Tower, Shun Tak Centre

168-200 Connaught Road Central

Hong Kong

30 April 2008

*To the shareholders of the Company*

Dear Sir or Madam,

### PROPOSALS FOR RE-ELECTION OF DIRECTORS AND GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

#### INTRODUCTION

The purpose of this circular is to provide you with information regarding the resolutions to be proposed at the forthcoming annual general meeting (“**Annual General Meeting**”) of Daido Group Limited (“**Company**”) to be held on Monday, 26 May 2008 at 10:00 a.m., resolutions will be proposed, among other matters: (i) to re-elect directors of the Company who are due to retire at the Annual General Meeting; and (ii) to grant the Board of Directors general mandates to issue and repurchase shares of HK\$0.01 each of the Company (“**Shares**”).

\* For identification purpose only

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## LETTER FROM THE BOARD

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### RE-ELECTION OF DIRECTORS

In accordance with Bye-Law 87 of the Company's Bye-Laws and the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange"), Mr. Leung, Tsz Fung David Ferreira and Mr. Tse Yuen Ming, shall retire by rotation and being eligible, offer themselves for re-election at the forthcoming Annual General Meeting. Details of the above Directors that are required to be disclosed under the Listing Rules are set out in Appendix I to this circular.

### GENERAL MANDATE TO ISSUE AND REPURCHASE SHARES

At the annual general meeting of the Company held on 23 May 2007, ordinary resolutions were passed granting general mandates to the directors of the Company ("**Directors**"), inter alia, (i) to repurchase Shares not exceeding 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at 23 May 2007 ("**Repurchase Mandate**"); and (ii) to allot, issue and otherwise deal with additional Shares not exceeding 20 per cent. of the aggregate nominal amount of the issued share capital of the Company in issue as at 23 May 2007 ("**Issue Mandate**") and Shares not exceeding 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at 23 May 2007 repurchased by the Company pursuant to the Repurchase Mandate (the Repurchase Mandate and the Issue Mandate, the "**Existing Mandates**").

In accordance with the provisions of the Listing Rules and the terms of the general mandates granted to the Directors at the annual general meeting of the Company held on 23 May 2007, the Existing Mandates shall expire at the conclusion of the forthcoming Annual General Meeting to be held on 26 May 2008.

The Directors propose to seek the approval of the shareholders of the Company ("**Shareholders**") of the resolutions to be proposed and set out in resolutions numbers 4 and 5 respectively in the notice of the Annual General Meeting to grant to the Directors new general mandates (i) to repurchase Shares not exceeding 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of the Annual General Meeting ("**Proposed Repurchase Mandate**"); and (ii) to allot, issue and otherwise deal with additional Shares not exceeding 20 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of the Annual General Meeting ("**Proposed Issue Mandate**").

In addition, subject to the resolutions numbers 4 and 5 are granted, a resolution number 6 as set out in the notice of the Annual General Meeting will also be proposed at the Annual General Meeting to grant to the Directors the extension of the Proposed Issue Mandate, which provides that any Shares repurchased under the Proposed Repurchase Mandate will be added to the total number of Shares which may be allotted and issued under the Proposed Issue Mandate.

As at 24 April 2008, being the latest practicable date ("**Latest Practicable Date**") prior to the printing of this circular, the Company had in issue 4,168,000,000 Shares.

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## **LETTER FROM THE BOARD**

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Subject to the passing of the resolution granting the Proposed Issue Mandate and on the basis that no further Shares are issued (whether generally or pursuant to the exercise of conversion rights attaching to the convertible bond for 210,344,828 Shares outstanding) or repurchased before the Annual General Meeting, the Company will be allowed to issue a maximum of 833,600,000 Shares pursuant to the Proposed Issue Mandate.

An explanatory statement required by the Listing Rules in connection with the Proposed Repurchase Mandate containing all information reasonably necessary to enable the Shareholders to make an informed decision on whether to vote for or against the relevant resolutions at the Annual General Meeting is set out in the Appendix II to this circular.

### **ANNUAL GENERAL MEETING**

The resolutions referred to above are set out in full in the notice of the Annual General Meeting as contained in the Company's 2007 Annual Report. Whether or not you are able to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same at the offices of Company's branch share registrars in Hong Kong, Union Registrar Limited, at Room 1901-02, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish.

### **PROCEDURE FOR DEMANDING A POLL**

According to Bye-Law 66 of the Bye-Laws of the Company, a resolution put to the vote of a meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

- (a) by the chairman of such meeting; or
- (b) by at least three Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or
- (c) by a Shareholder or Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or
- (d) by a Shareholder or Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorised representative) or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right; or

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## LETTER FROM THE BOARD

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- (e) If required by the rules of the Designated Stock Exchange, by the chairman of such meeting and/or the Directors who, individually or collectively, hold proxies in respect of shares representing five per cent (5%) or more of the total voting rights of all Shareholders having right to vote at meeting.

### RECOMMENDATION

The Directors consider that the proposals for the re-election of Directors, the granting of the general mandates to issue and repurchase Shares and the extension of the Proposed Issue Mandate are all in the best interests of the Company and the Shareholders as a whole, and accordingly recommend all Shareholders to vote in favour of the resolutions to be proposed at the Annual General Meeting.

### GENERAL

Your attention is also drawn to the additional information set out in appendices I and II to this circular.

Yours faithfully  
For and on behalf of the Board of  
**Daido Group Limited**  
**Fung Wa Ko**  
*Chairman*

**MR. LEUNG, TSZ FUNG DAVID FERREIRA**

Mr. Leung, Tsz Fung David Ferreira, aged 40, joined the Group as an independent non-executive director in July 2005. Mr. Leung is the Chairman of the Remuneration Committee. He is also a member of the Audit Committee and the Nomination Committee of the Company. He has extensive experience in financial services. Mr. Leung also serves as business consultants in various advertising and event marketing companies. He is also a director of GFS Investments (Middle East) Limited, a company incorporated in Dubai.

Mr. Leung has not held any other directorship in other listed company in the last three years.

Mr. Leung does not have any relationship with any other Directors, senior management, substantial or controlling shareholders of the Company. He does not have any interests in Shares within the meaning of Part XV of the SFO.

Mr. Leung has entered into a service contract with the Company for an initial period of one year commencing from 26 May 2006 and will continue thereafter which may be terminated by either party given the other not less than three months' notice. Mr. Leung is also subject to retirement by rotation and re-election in accordance with the Bye-laws of the Company. Mr. Leung received a fixed remuneration of HK\$80,000 per annum from the Company as director's fee. The emoluments of Mr. Leung are determined by reference to the Company's performance and profitability, his contribution, as well as the remuneration benchmark in the industry and the prevailing market conditions.

There is no other information relating to Mr. Leung that is required to be disclosed pursuant to rules 13.51 (2) (h) to (v) of the Listing Rules.

Save as disclosed above, Mr. Leung is not aware of any other matters that need to be brought to the attention of the Shareholders.

**MR. TSE YUEN MING**

Mr. Tse Yuen Ming, aged 40, joined the Group as an independent non-executive director in August 2003. Mr. Tse is the Chairman of the Nomination Committee. He is also a member of the Audit Committee and the Remuneration Committee of the Company. He is a partner of Messrs. George Tung, Jimmy Ng & Valent Tse. Mr. Tse holds a bachelor of laws degree with honours from the University of Hong Kong and admitted to The Supreme Court of Hong Kong as a solicitor in 1993. He is also a director in various companies engaging in animation, trading, card games and construction business in Hong Kong.

Mr. Tse has not held any other directorship in other listed company in the last three years.

Mr. Tse does not have any relationship with any other Directors, senior management, substantial or controlling shareholders of the Company. He does not have any interests in Shares within the meaning of Part XV of the SFO.

Mr. Tse has entered into a service contract with the Company for an initial period of one year commencing from 26 May 2006 and will continue thereafter which may be terminated by either party given the other not less than three months' notice. Mr. Tse is also subject to retirement by rotation and re-election in accordance with the Bye-laws of the Company. Mr. Tse received a fixed remuneration of HK\$90,000 per annum from the Company as director's fee effective from 1 January 2008. The emoluments of Mr. Tse are determined by reference to the Company's performance and profitability, his contribution, as well as the remuneration benchmark in the industry and the prevailing market conditions.

There is no other information relating to Mr. Tse that is required to be disclosed pursuant to rules 13.51 (2) (h) to (v) of the Listing Rules.

Save as disclosed above, Mr. Tse is not aware of any other matters that need to be brought to the attention of the Shareholders.

This explanatory statement contains the information that are required by the Listing Rules to be included in an explanatory statement to enable Shareholders to make an informed view on whether to vote for or against the resolutions to be proposed at the Annual General Meeting in relation to the repurchase by the Company of its own securities.

### **LISTING RULES FOR REPURCHASE OF SECURITIES**

The relevant sections of the Listing Rules which permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions are summarised below.

### **SHAREHOLDERS' APPROVAL**

The Listing Rules provide that all proposed repurchases of securities by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of shareholders, either by way of a general mandate or by a specific approval of a particular transaction.

### **NUMBER OF REPURCHASED SHARES**

It is proposed that the Proposed Repurchase Mandate will authorise the repurchase by the Company not exceeding 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of the Annual General Meeting. As at the Latest Practicable Date, the Company had in issue 4,168,000,000 Shares.

Subject to the passing of the resolution granting the Proposed Repurchase Mandate and on the basis that no further Shares are issued (whether generally or pursuant to the exercise of conversion rights attaching to the convertible bond for 210,344,828 Shares outstanding) or repurchased before the Annual General Meeting, the Company will be allowed to repurchase a maximum of 416,800,000 shares during the period ending on the earlier of the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required to be held by law (or the date upon which such authority is revoked or varied by an ordinary resolution of the Shareholders in general meeting).

Any Shares repurchased pursuant to the Proposed Repurchase Mandate must be fully-paid up.

### **SOURCE OF FUNDS**

Repurchases must be funded out of funds legally available for the purpose and in accordance with the Company's memorandum of association and Bye-Laws and the applicable laws of the jurisdiction in which the Company is incorporated or otherwise established. Bermuda law provides that the amount of capital repaid in connection with a share repurchase may only be paid out of either the capital paid up on the relevant Shares, or the profits that would otherwise be available for distribution by way of dividend or the proceeds of a new issue of shares made for such purpose. The amount of premium payable on a repurchase may only be paid out of either the profits that would otherwise be available



for distribution by way of dividend or out of the share premium or contributed surplus accounts of the Company. It is envisaged that the Company would derive the funds from such sources.

### **REASON FOR REPURCHASE**

The Directors believe that it is in the best interests of the Company and the Shareholders to seek a general authority from the Shareholders to enable the Company to repurchase the Shares on the Stock Exchange. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and/or its earnings per share and will only be made when the Directors believe that such repurchases will benefit the Company and the Shareholders.

The exercise of the Proposed Repurchase Mandate in full would not have a material adverse impact on the working capital position and gearing position of the Company as compared with the position as disclosed in the Company's latest published audited financial statements for the year ended 31 December 2007. The Directors do not propose to exercise the mandate to repurchase Shares to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company as compared with the position disclosed in the latest published audited financial statements or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

### **CONNECTED PARTIES**

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates have any present intention to sell Shares to the Company or its subsidiaries, in the event the Proposed Repurchase Mandate is approved by the Shareholders.

No connected person, as defined in the Listing Rules, has notified the Company that he has a present intention to sell Shares to the Company, or has undertaken not to do so in the event the Company is authorised to make repurchase of Shares.

### **UNDERTAKING**

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the power of the Company to make purchases pursuant to the Proposed Repurchase Mandate in accordance with the Listing Rules and the applicable laws of Bermuda.

### **EFFECT OF THE TAKEOVERS CODE**

If as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition of voting rights for the purposes of Rule 32 of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"). Accordingly, a Shareholder, or group of Shareholders acting in

concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeovers Code.

As at the Latest Practicable Date, to the best of the knowledge and belief of the Directors, Ever Achieve Enterprises Limited ("EAEL") held 1,011,615,665 Shares, representing approximately 24.27 per cent. of the issued share capital of the Company. Assuming that there are no alternations to the existing shareholdings of the Company, the exercise of the Proposed Repurchase Mandate in full in accordance with the terms of the ordinary resolution to be proposed at the Annual General Meeting, will not give rise to an obligation for EAEL to make a mandatory offer under Rule 26 of the Takeover Code.

The Listing Rules prohibit a company from making repurchases on the Stock Exchange if the result of such repurchases would be that less than 25 per cent. (or such other prescribed minimum percentage as determined by the Stock Exchange) of the issued share capital would be in public hands. The Directors have no present intention to exercise the power to repurchase Shares on the Stock Exchange pursuant to the Proposed Repurchase Mandate to such an extent as to result in the number of Shares held by the public falling below 25 per cent.

## GENERAL

The Company has not repurchased any securities of the Company on the Stock Exchange in the six months immediately prior to the Latest Practicable Date.

## SHARE PRICES

The following table shows the highest and lowest prices at which the Shares have been traded on the Stock Exchange in each of the previous twelve months:-

	Shares	
	Highest HK\$	Lowest HK\$
<b>2007</b>		
April	0.135	0.092
May	0.173	0.100
June	0.202	0.120
July	0.146	0.103
August	0.133	0.060
September	0.109	0.073
October	0.096	0.063
November	0.085	0.060
December	0.076	0.053
<b>2008</b>		
January	0.059	0.053
February	0.056	0.041
March	0.057	0.038
April (up to the Latest Practicable Date)	0.043	0.037