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If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other 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 (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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**DAIDO GROUP LIMITED**

**大同集團有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 00544)**

- (1) REFRESHMENT OF GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES;**
- (2) REFRESHMENT OF SCHEME MANDATE LIMIT; AND**
- (3) NOTICE OF SPECIAL GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee  
and the Independent Shareholders**



**Menlo Capital Limited**

A letter from an independent committee of the board of the Company (the “**Independent Board Committee**”) is set out on page 12 of this circular. A letter from Menlo Capital Limited, the independent financial adviser to the Independent Board Committee and the independent shareholders of the Company is set out on pages 13 to 18 of this circular.

A notice convening a special general meeting (“**SGM**”) of the Company to be held at Plaza 3, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Friday, 2 September 2011 at 10:30 a.m. is set out on pages 22 to 25 of this circular. A form of proxy for use at the SGM is also enclosed with this circular.

Whether or not you are able to attend the SGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to 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 as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjourned meeting. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof if you so wish.

\* for identification purposes only

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## DEFINITIONS

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

“AGM”	the annual general meeting of the Company held on 27 May 2011
“associates”	has the same meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Bye-Laws”	the bye-laws of the Company, and “Bye-Law” shall mean a bye-law of the Bye-Laws
“Company”	Daido Group Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Stock Exchange
“Current General Mandate”	the general mandate approved at the AGM authorising the Directors to allot and issue Shares of up to 20% of the issued share capital of the Company as at the date of passing the relevant ordinary resolution
“Current Repurchase Mandate”	the repurchase mandate approved at the AGM authorising the Directors to repurchase up to 10% of the issued share capital of the Company at the date of the passing the relevant ordinary resolution
“Director(s)”	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
“Independent Board Committee”	an independent committee of the Board, comprising the independent non-executive Directors, to advise the Independent Shareholders as to the fairness and reasonableness of the granting and extension of the New General Mandate, the voting at the SGM and whether the granting and extension of the New General Mandate are in the interests of the Company and the Shareholders as a whole
“Independent Financial Adviser/ Menlo Capital”	Menlo Capital Limited, a licensed corporation under the SFO to conduct Type 6 regulated activity appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the granting and extension of New General Mandate
“Independent Shareholder(s)”	Shareholder(s) other than Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates

## DEFINITIONS

“Latest Practicable Date”	12 August 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New General Mandate”	the general mandate proposed to be granted to the Directors at the SGM to allot, issue and otherwise deal with additional Shares not exceeding 20% of the issued share capital of the Company as at the date of the SGM and any additional Shares repurchased by the Company pursuant to the New Repurchase Mandate granted to the Directors at the SGM
“New Repurchase Mandate”	the general and unconditional mandate proposed to be granted to the Directors at the SGM to enable them to repurchase the Shares not exceeding 10% of the issued share capital of the Company as at the date of the SGM
“Options”	the options granted under the Share Option Scheme to subscribe for Shares in accordance with the terms thereof
“Placing”	the placing, on a best efforts basis, of up to 239,900,000 Shares pursuant to the terms of the placing agreement dated 12 July 2011
“PRC”	the People’s Republic of China
“Proposed Refreshment”	the proposed refreshment of the Scheme Mandate Limit under the Share Option Scheme at the SGM
“Scheme Mandate Limit”	the total number of Shares which may be issued upon exercise of all Options to be granted by the Board under the Share Option Scheme to subscribe up to 10% of the Shares in issue as at the date of passing the relevant ordinary resolution. If the Scheme Mandate Limit is refreshed, the total number of Shares which may be issued upon exercise of all options to be granted must not in aggregate exceed 10% of the Shares in issue as at the date of passing the relevant ordinary resolution
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“SGM”	the special general meeting of the Company to be convened and held on 2 September 2011 to consider and, if appropriate, to approve, among other matters, the proposed granting and extension of the New General Mandate and the New Repurchase Mandate, and the Proposed Refreshment

## DEFINITIONS

“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Share Option Scheme”	the share option scheme of the Company adopted by resolution of all the Shareholders on 9 January 2006
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

LETTER FROM THE BOARD

**DAIDO**

**DAIDO GROUP LIMITED**

**大同集團有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 00544)**

*Executive Directors:*

Mr. Au Tat Wai  
Mr. Choy Kai Sing  
Mr. Ho Hon Chung, Ivan  
Mr. Tang Tsz Man, Philip

*Registered office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Non-executive Director:*

Mr. Fung Wa Ko (Chairman)

*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

*Independent non-executive Directors:*

Mr. Fung Siu Kit, Ronny  
Mr. Leung Chi Hung  
Mr. Tse Yuen Ming

17 August 2011

*To the Shareholders*

Dear Sir or Madam,

- (1) REFRESHMENT OF GENERAL MANDATES TO ISSUE  
AND REPURCHASE SHARES;  
(2) REFRESHMENT OF SCHEME MANDATE LIMIT; AND  
(3) NOTICE OF SPECIAL GENERAL MEETING**

**INTRODUCTION**

The purpose of this circular is to provide you with the information relating to (i) the proposed granting and extension of the New General Mandate and New Repurchase Mandate; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders on the proposed granting and extension of the New General Mandate; (iii) the recommendation from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the proposed granting and extension of the New General Mandate; (iv) the Proposed Refreshment; (v) the explanatory statement; and (vi) the notice of SGM, at which resolutions will be proposed to the Independent Shareholders and the Shareholders to consider and, if thought fit, approve the granting and extension of New General Mandate and the New Repurchase Mandate, and the Proposed Refreshment.

\* for identification purposes only

## LETTER FROM THE BOARD

### **CURRENT GENERAL MANDATE AND CURRENT REPURCHASE MANDATE**

At the AGM, the Shareholders approved, among other things, an ordinary resolution for granting to the Directors the Current General Mandate to allot and issue not more than 239,904,000 Shares, being 20% of the entire issued share capital of the Company of 1,199,520,000 Shares as at the date of passing of the resolution. During the period from the granting of the Current General Mandate to the Latest Practicable Date, the Current General Mandate had been utilised as to 239,900,000 Shares upon completion of the Placing by the Company, being approximately 99.998% of the aggregate number of Shares which may be allotted and issued under the Current General Mandate. Please refer to the Company's announcements dated 12 July 2011 and 21 July 2011 respectively for further details regarding the above matter.

During the period from the grant of the Current Repurchase Mandate at the AGM to the Latest Practicable Date, no Shares have been repurchased by the Company, whether on the Stock Exchange or otherwise.

### **PROPOSED GRANTING AND EXTENSION OF NEW GENERAL MANDATE AND NEW REPURCHASE MANDATE**

The Company will convene the SGM at which ordinary resolutions will be proposed to the Independent Shareholders that:

- (i) the Directors be granted the general mandate to allot and issue Shares not exceeding 20% of the issued share capital of the Company as at the date of passing the relevant ordinary resolution at the SGM;
- (ii) the Directors be granted the New Repurchase Mandate to enable them to repurchase the Shares not exceeding 10% of the issued share capital of the Company as at the date of passing the relevant ordinary resolution at the SGM; and
- (iii) the general mandate granted pursuant to (i) above be extended to Shares repurchased by the Company pursuant to the New Repurchase Mandate granted to the Directors at the SGM.

As at the Latest Practicable Date, the Company had an aggregate of 1,439,420,000 Shares in issue. Subject to the passing of the ordinary resolutions for the approval of the New General 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 42,068,965 Shares outstanding) and/or repurchased by the Company between the Latest Practicable Date and the date of the SGM, the Company would be allowed under the New General Mandate to allot and issue up to 287,884,000 Shares, being 20% of the total number of Shares in issue as at the Latest Practicable Date.

The New General Mandate and the New Repurchase Mandate will expire at the earliest of (a) the conclusion of the next annual general meeting of the Company; (b) the end of the period within which the Company is required by the Companies Act 1981 of Bermuda (as amended) or the Bye-Laws to hold its next annual general meeting; and (c) when revoked or varied by an ordinary resolution of the Shareholders in a general meeting prior to the next annual general meeting of the Company.

## LETTER FROM THE BOARD

### REASONS FOR THE NEW GENERAL MANDATE AND NEW REPURCHASE MANDATE

The Company is an investment holding company. The Group is principally engaged in the operations of cold storage and related services, investment holding and operation of karaoke outlet and related services in the PRC.

As explained in the paragraph headed “Current General Mandate and Current Repurchase Mandate” above, the Current General Mandate had been utilised as to 239,900,000 Shares, representing approximately 99.998% of the aggregate number of Shares which may be allotted and issued under the Current General Mandate.

The Board believes that the granting and extension of the New General Mandate and the New Repurchase Mandate are in the best interests of the Company and the Shareholders as a whole by maintaining the financial flexibility necessary for the Group’s future business development. The Board considers equity financing to be an important avenue of resources to the Group since it does not create any interest paying obligations on the Group. In appropriate circumstances, the Group will also consider other financing methods such as debt financing or internal cash resources to fund its future business development. While the Board considers that there is no immediate funding need for the Group’s current operations and that there is currently no concrete proposal presented by potential investors for investment in the Shares, the Board is now proposing to seek the approval of Independent Shareholders at the SGM of the New General Mandate and New Repurchase Mandate such that (i) on one hand should future funding needs arise or attractive terms for investment in the Shares become available from potential investors, the Board will be able to respond to the market promptly because fund raising exercise pursuant to a general mandate provides the Company with a more simple and less lead time process than other types of fund raising exercises and to avoid the uncertainties in such circumstances that specific mandate may not be obtained in a timely manner; and (ii) on the other hand, depending on market conditions and funding arrangements at the time, the Company may repurchase the Shares in order to enhance the net asset value per Share and/or earnings per Share and will only be made when the Directors believe that such repurchase will benefit the Company and the Shareholders as a whole.

For the avoidance of doubt, as at the Latest Practicable Date, the Company did not have any concrete plan on acquisition.



## LETTER FROM THE BOARD

There has not been any refreshment of the Current General Mandate since the AGM. The following table summarises the use of the Current General Mandate since the AGM, and the fund raising activities by the Company in the past twelve months immediately prior to the Latest Practicable Date:

Date of initial announcement	Event	Net proceeds (Approximately)	Intended use of net proceeds	Actual use of net proceeds as at the Latest Practicable Date
30 March 2011	Placing of existing and top up subscription of new Shares	HK\$46 million	General working capital of the Group	Used as intended
12 July 2011	Placing of 239,900,000 new Shares	HK\$47 million	General working capital of the Group	The net proceeds have not been utilised but will be used as intended

Save as disclosed herein, the Company has not conducted any other equity fund raising activities in the past twelve months immediately preceding the Latest Practicable Date.

In view of the above, the Directors consider that the grant of the New General Mandate and any extension thereof, which may or may not be utilized, and the New Repurchase Mandate are in the best interests of the Company and the Shareholders as a whole.

An explanatory statement containing information relating to the New Repurchase Mandate and as required pursuant to the Listing Rules is set out in the Appendix to this circular. This explanatory statement contains information reasonably necessary to enable Shareholders to make an informed decision on whether to vote for or against the resolution relating to the New Repurchase Mandate at the SGM.

### **REFRESHMENT OF THE SCHEME MANDATE LIMIT**

The Share Option Scheme was adopted to recognise and acknowledge the contributions of the Group's employees and other selected grantees made or may have made to the Group.

The current Scheme Mandate Limit was refreshed on 9 June 2010, entitling the Company to grant up to 99,960,000 Options, representing 10% of the issued share capital of the Company as at 9 June 2010. During the period from 9 January 2006 to the Latest Practicable Date, there was no Option granted, exercised, cancelled or lapsed under the Share Option Scheme.

As at the Latest Practicable Date, the Company has 1,439,420,000 Shares currently in issue. The maximum number of Shares which may be issued upon the exercise of all the Options to be granted under the Scheme Mandate Limit as refreshed will be 143,942,000 Shares (assuming no further issue, whether generally or pursuant to the exercise of conversion rights attaching to the convertible bond for

## LETTER FROM THE BOARD

42,068,965 Shares outstanding, or purchase of Shares prior to the SGM), representing 10% of the issued share capital of the Company as at the date of approval of the Proposed Refreshment by the Shareholders at the SGM.

Pursuant to the Listing Rules, the Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme or other schemes at any time will not exceed 30% of the Shares in issue from time to time. The Board undertakes that no Options shall be granted under the Share Option Scheme or any scheme(s) of the Company if this will result in the 30% limit being exceeded.

The Board considers that it is in the interests of the Company to refresh the Scheme Mandate Limit so as to provide the Company with the flexibility of granting further Options under the Share Option Scheme and to provide incentives to, and recognise the contributions of, the Group's employees and other selected grantees which the Board considers to be in the interests of the Company and the Shareholders as a whole. The Board therefore seeks the approval of the Shareholders at the SGM to refresh the Scheme Mandate Limit.

### CONDITIONS OF THE PROPOSED REFRESHMENT

The Proposed Refreshment is conditional upon:

- (i) the passing of the necessary ordinary resolution by the Shareholders at the SGM to approve the Proposed Refreshment; and
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in the Shares to be issued pursuant to the exercise of the Options to be granted under the refreshed Scheme Mandate Limit.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of Options to be granted under the refreshed Scheme Mandate Limit.

### SGM

Pursuant to Rule 13.36(4)(a) of the Listing Rules, the New General Mandate requires the approval of the Independent Shareholders at the SGM at which any of the controlling Shareholders and their associates or, where there are no controlling Shareholders, Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the relevant resolutions. Since the Company has no controlling Shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the relevant resolutions.

As at the Latest Practicable Date, given that none of the Directors and the chief executive of the Company, and their respective associates have any Shares in the Company, no Shareholders shall be required to abstain from voting in favour of the relevant resolutions at the SGM.

## LETTER FROM THE BOARD

Further, pursuant to Rule 13.39(4) of the Listing Rules, any vote of the Independent Shareholders and the Shareholders at the SGM must be taken by poll for resolutions. The Chairman of the meeting will therefore demand a poll for every resolution put to the vote of the SGM pursuant to Bye-Law 66.

After the closure of the SGM, the poll results will be published on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.irasia.com/listco/hk/daido/index.htm](http://www.irasia.com/listco/hk/daido/index.htm).

The notice convening the SGM is set out on pages 22 to 25 of this circular. At the SGM, ordinary resolutions will be proposed to approve the granting and extension of the New General Mandate and the New Repurchase Mandate, and the Proposed Refreshment. A form of proxy for use at the SGM is also enclosed with this circular. To be valid, the form of proxy must be completed in accordance with the instructions printed thereon and returned, together with the power of attorney or other authority at 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 as soon as possible but in any event not less than 48 hours before the time appointed for holding of the SGM or any adjourned meeting. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting if you so wish.

### SHAREHOLDING STRUCTURE

The following table sets out the shareholding structure of the Company as at (i) the Latest Practicable Date and (ii) the date upon the full utilisation of the New General Mandate:

Name of Shareholders	As at the date of the Latest Practicable Date		Upon full utilisation of the New General Mandate (assuming no other Shares are issued or repurchased by the Company)	
	<i>No. of Shares</i>	%	<i>No. of Shares</i>	%
Ever Achieve Enterprises Limited <sup>(Note 1)</sup>	202,323,133	14.05	202,323,133	11.71
Existing Public Shareholders	1,237,096,867	85.95	1,237,096,867	71.62
Shares to be issued under the New General Mandate	—	—	<u>287,884,000</u>	<u>16.67</u>
<b>Total</b>	<u><u>1,439,420,000</u></u>	<u><u>100.00</u></u>	<u><u>1,727,304,000</u></u>	<u><u>100.00</u></u>

*Note:*

- The entire issued share capital of Ever Achieve Enterprises Limited is beneficially owned as to 50% by Mr. Yuen Kin Wing, as to 25% by Mr. Chung Chiu Pui and as to 25% by Ms. Foo Hang Luen, Monita.

Assuming that (i) the granting and extension of the New General Mandate is approved at the SGM; (ii) no Shares will be repurchased and no new Shares will be issued from the Latest Practicable Date up to the date of the SGM (both dates inclusive); and (iii) upon full utilisation of the New General Mandate, 287,884,000 Shares are to be issued, which represents 20% and approximately 16.67% of the

## **LETTER FROM THE BOARD**

existing issued share capital as at the Latest Practicable Date and the enlarged issued share capital of the Company respectively. The aggregate shareholding of the existing public Shareholders will be diluted from approximately 85.95% to approximately 71.62% upon full utilisation of the New General Mandate.

### **INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee which comprises Mr. Fung Siu Kit, Ronny, Mr. Leung Chi Hung and Mr. Tse Yuen Ming, all being the independent non-executive Directors, has been established to advise the Independent Shareholders on the granting and extension of the New General Mandate.

Menlo Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the granting and extension of the New General Mandate.

The Independent Board Committee and the Directors, having taken into account the advice of the Independent Financial Adviser, consider that the granting and extension of the New General Mandate are in the interests of the Company and the Shareholders as a whole and is fair and reasonable so far as the Independent Shareholders are concerned and accordingly recommends the Independent Shareholders to vote in favour of the ordinary resolutions which will be proposed at the SGM for approving the granting and extension of the New General Mandate.

The text of the letter from the Independent Board Committee is set out on page 12 of this circular and the text of the letter from the Independent Financial Adviser containing its advice is set out on pages 13 to 18 of this circular.

### **GENERAL INFORMATION**

Your attention is drawn to the letter of advice from the Independent Financial Adviser set out on pages 13 to 18 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in connection with the granting and extension of the New General Mandate and the letter from the Independent Board Committee set out on page 12 of this circular which contains its recommendation to the Independent Shareholders in relation to the granting and extension of the New General Mandate. The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser in relation to the granting and extension of New General Mandate, is of the opinion that the granting and extension of the New General Mandate are in the best interest of the Company and is fair and reasonable so far as the Independent Shareholders are concerned.

Further, the Directors believe that the granting and extension of the New General Mandate and the New Repurchase Mandate, and the Proposed Refreshment are in the best interests of the Company and the Shareholders as a whole and recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM.

## LETTER FROM THE BOARD

### RESPONSIBILITY STATEMENT

This circular, for which the Director collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

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

**DAIDO**

**DAIDO GROUP LIMITED**

**大同集團有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 00544)**

17 August 2011

*To the Independent Shareholders*

Dear Sir or Madam,

**REFRESHMENT OF GENERAL MANDATE TO ALLOT AND ISSUE SHARES**

We refer to the circular of the Company dated 17 August 2011 (the “**Circular**”) of which this letter forms part. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as defined in the Circular.

We have been appointed by the Board to advise the Independent Shareholders as to whether the terms of the proposed granting and extension of the New General Mandate are fair and reasonable so far as the Independent Shareholders are concerned. Menlo Capital has been appointed as the independent financial adviser to advise us in this respect.

Having considered the principal reasons and factors considered by, and the advice of, Menlo Capital as set out in its letter of advice to us on pages 13 to 18 of the Circular, we are of the opinion that the granting and extension of the New General Mandate are in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the granting and extension of the New General Mandate.

Yours faithfully,

For and on behalf of the Independent Board Committee

**Fung Siu Kit, Ronny**

*Independent non-executive*

*Director*

**Leung Chi Hung**

*Independent non-executive*

*Director*

**Tse Yuen Ming**

*Independent non-executive*

*Director*

\* *for identification purposes only*

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

*The following is the full text of the letter from Menlo Capital which sets out its advice to the Independent Board Committee and the Independent Shareholders for inclusion in this circular.*



### **Menlo Capital Limited**

Room 1807, West Tower, Shun Tak Centre  
168 Connaught Road Central, Hong Kong

17 August 2011

*To: The Independent Board Committee and the  
Independent Shareholders of Daido Group Limited*

Dear Sir/Madam,

### **PROPOSED REFRESHMENT OF GENERAL MANDATE TO ISSUE SHARES**

#### **INTRODUCTION**

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the proposed granting and extension of the New General Mandate, details of which are set out in the letter from the Board (the “Letter from the Board”) contained in the circular (the “Circular”) of the Company to the Shareholders dated 17 August 2011, of which this letter forms part. Terms used in this letter have the same meanings as defined in the Circular unless the context otherwise requires.

Pursuant to Rule 13.36(4)(a) of the Listing Rules, the granting and extension of the New General Mandate requires the approval of the Independent Shareholders at the SGM at which any of the controlling Shareholders and their associates, or where there are no controlling Shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the relevant resolution regarding the granting and extension of the New General Mandate to be proposed at the SGM. To the best of the Company’s information and belief after having made reasonable enquiries, as at the Latest Practicable Date, the Company has no controlling Shareholder and no Director, chief executive and their respective associates hold any Shares. Accordingly, no controlling Shareholder and no Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in relation to the granting of the New General Mandate at the SGM.

The Independent Board Committee comprising Mr. Fung Siu Kit, Ronny, Mr. Leung Chi Hung and Mr. Tse Yuen Ming, all being independent non-executive Directors, has been established to advise whether the granting and extension of the New General Mandate is in the interest of the Company and the Independent Shareholders as a whole and to advise the Independent Shareholders on how to vote. We, Menlo Capital, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### **BASIS OF OUR ADVICE**

In arriving at our recommendation, we have relied on the information and facts provided by the Company and have assumed that any representations made to us are true, accurate and complete. We have also relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and the management of the Company. We have assumed that all information, representations and opinions contained or referred to in the Circular and all information, representations and opinions which have been provided by the Directors and the management of the Company for which they are solely responsible, are true and accurate at the time they were made and will continue to be accurate at the date of the despatch of the Circular.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular the omission of which would make any such statement contained in the Circular misleading. We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. Having made all reasonable enquiries, the Directors have further confirmed that, to the best of their knowledge, they believe there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading. We have not, however, carried out any independent verification of the information provided by the Directors and management of the Company, nor have we conducted any independent investigation into the business and affairs of the Group.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion to the Independent Board Committee and the Independent Shareholders in respect of the granting and extension of the New General Mandate, we have taken the following principal factors and reasons into consideration:

#### **1. Background and reasons for the granting and extension of the New General Mandate**

The Group is principally engaged in operations of cold storage and related services, investment holding and operation of karaoke outlet and related services in PRC.

At the AGM held on 27 May 2011, the then Shareholders approved, among other things, ordinary resolution to approve the grant of the Current General Mandate to the Directors to allot, issue and deal with up to 239,904,000 Shares, representing 20% of the entire issued share capital of the Company as at the date of the AGM. Since the AGM to the Latest Practicable Date, the Current General Mandate has not been refreshed.

According to the announcement of the Company dated 12 July 2011 in relation to the Placing, it was announced that the Company had entered into the Placing Agreement to place, on a best effort basis, an aggregate of 239,900,000 Shares under the Current General Mandate. As detailed in the announcement of the Company dated 21 July 2011, the Placing was completed on



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

21 July 2011 and a total of 239,900,000 Shares have been successfully placed. The aggregate net proceeds from the Placing amounted to approximately HK\$47 million were intended to be used for general working capital of the Group.

As the Current General Mandate granted to the Directors was almost fully utilized after the completion of the Placing, the Directors would only be allowed to allot and issue 4,000 Shares from the Latest Practicable Date to the date of the next annual general meeting of the Company if the Current General Mandate is not refreshed. In order to allow the financial flexibility to raise further capital to finance future investments and/or future business development of the Group, the Company wishes to seek approval of Independent Shareholders at the SGM to grant the New General Mandate so that the Directors will be granted the authority to issue, allot and deal with new Shares not exceeding 20% of the total issued share capital of the Company as at the date of the SGM.

As at the Latest Practicable Date, the Company had an aggregate of 1,439,420,000 Shares in issue. Assuming there is no change in the issue share capital from the Latest Practicable Date up to the date of the SGM, the granting of the New General Mandate would allow the Directors to issue, allot and deal with up to 287,884,000 new Shares, representing 20% of the aforesaid total issued share capital of the Company.

As discussed with the management of the Company, the Directors consider that equity financing through the use of the New General Mandate is an important avenue of resources to the Group, as it (i) does not create any interest paying obligations on the Group as in bank financing; (ii) is less costly and time-consuming than raising funds by way of rights issue or open offer; and (iii) provides the Company with the capability to capture any capital raising or prospective investment opportunity as and when it arises. The Directors consider that such ability is crucial in a competitive and rapidly changing investment environment and in times of volatile market conditions. As at the Latest Practicable Date, the Company did not have any concrete future business plan/potential acquisition. However, the Company wishes to put in place more flexible measures which will allow the Company to raise funds in a timely manner when any possible investment opportunities arise.

In light of the above, and having considered that the next annual general meeting will not be held until around May 2012, which is around nine months from the Latest Practicable Date, we are of the view that the granting and extension of the New General Mandate (i) would provide the Company with necessary financing flexibility for any funding needs for any future investments and business developments as and when they arise; (ii) will ensure the Company having sufficient general mandate, if so required, until the general mandate is approved in the next annual general meeting; and (iii) will facilitate the Company to raise funds in a meaningful quantum if and when necessary in a timely manner, we therefore consider that the granting and extension of the New General Mandate is in the interests of the Company and the Shareholders as a whole.

### **2. Flexibility in financing**

As advised by the Directors, we are given to understand that the Directors have no concrete plan for raising capital by issuing new Shares as at the Latest Practicable Date. If any potential investors offer attractive terms for investment in the Shares subject to the then market conditions, the Directors will consider and may conduct an equity fund raising exercise by issuing new Shares,

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

the proceeds of which may be used as general working capital and/or supporting the Group's future business development. The Directors consider that funding requirement or appropriate investment opportunities may or may not arise at any time prior to the next annual general meeting. If such opportunities arise prior to the next annual general meeting, decisions may have to be made within a limited period of time. The Directors therefore believe that (i) the granting and extension of the New General Mandate will provide the Company with flexibility in deciding the source of financing for any acquisition opportunities that may arise in the future; and (ii) the granting and extension of the New General Mandate will empower them to issue new Shares under the refreshed limit speedily as and when necessary, and without seeking further approval from the Shareholders.

Based on the above, we consider that (i) any share placement exercise is dependent, to a large extent, on prevailing market conditions and such opportunities for share placement exercise may not always arise; and (ii) the granting and extension of the New General Mandate would provide the Company with the flexibility to issue and allot new Shares for equity fund raising activities, such as placing of new Shares, or as consideration for potential investments in the future as and when such opportunities arise, we therefore consider that the granting and extension of the New General Mandate is in the interests of the Shareholders and the Company as a whole.

### 3. Fund raising activities of the Company during the past twelve months

Set out below is the fund raising activity of the Company during the past twelve months immediately prior to the Latest Practicable Date:

Date of announcement	Transaction	Net proceeds raised (approximately)	Intended use of net proceeds	Actual use of net proceeds as at the Latest Practicable Date
30 March 2011	Placing of existing and top up subscription of new Shares	HK\$46 million	General working capital of the Group	Used as intended
12 July 2011	Placing of 239,900,000 new Shares	HK\$47 million	General working capital of the Group	The net proceeds have not been utilised but will be used as intended

Save as disclosed herein, the Company has not conducted any other equity fund raising activities in the past twelve months immediately preceding the Latest Practicable Date.

Having considered the proceeds raised from the aforementioned fund raising exercises, the Directors are of the view that the existing cash and credit resources of the Group are sufficient for the Group to conduct its daily operations and the Group has sufficient working capital to meet its present requirements. However, the Directors cannot preclude the possibilities that the current financial resources are inadequate for a large scale investment and additional funding may still be

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

needed for investment opportunities and/or business developments arise in the future. In the event that the Group identifies suitable business or investment opportunities and does not have sufficient cash and credit resources on hand, and it fails to obtain loans on terms which the Directors consider acceptable to the Group or raise funds from the equity market, or it cannot find other alternatives to finance the business development or acquisition of such investment opportunities in a timely manner, the Group may lose its opportunity in an otherwise favourable development/investment. In light of the current financial position, which may not be adequate for large scale investment opportunities and/or business developments to be arisen in the future, and the intention of seeking potential investment opportunities for existing business development of the Group, the Directors believe that the grant of General Mandate is essential so that should future funding needs arise or attractive terms for investment become available, the Directors will be able to seize such fund raising opportunity in a timely manner. As such, we concur with the Directors that the granting and extension of the New General Mandate will enable the Group to maintain its financial flexibility through equity financing for the Group's general working capital requirements and as funds for the Group's future development. In view of the granting and extension of the New General Mandate will (i) enable the Company to maintain its necessary financing flexibility for any funding needs for any future investments and business developments as and when they arise; (ii) ensure the Company having sufficient general mandate to raise fund to maintain its competitiveness in the industry, if so required, until the general mandate is approved in the next annual general meeting; and (iii) facilitate the Company to raise funds in a meaningful quantum if and when necessary in a timely manner, we therefore consider that the granting and extension of the New General Mandate is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

#### **4. Other financing alternatives**

As advised by the Company, apart from equity financing, the Group will also consider other financing alternatives such as debt financing and bank borrowings before making investment decision. However, the Group will consider the cost and other terms of the funding to decide the means of financing in order to maximum the benefit to the Shareholders. Furthermore, these alternatives may be subject to lengthy due diligence and negotiations. The Directors advised us that they would exercise due and careful consideration when choosing the best method of financing for the Group.

We consider that the granting and extension of the New General Mandate will provide the Company with an additional financing alternative and it is reasonable for the Company to have the flexibility in deciding the financing methods for its future business development and the efficient use of its fund. Based on the above, we are of the view that the granting and extension of the New General Mandate is in the interests of the Company and the Shareholders as a whole.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### 5. Potential dilution to Independent Shareholders' shareholdings

Shareholders	As at the Latest Practicable Date		Upon full utilization of the New General Mandate (assuming no other Shares are issued or repurchased by the Company)	
	Shares	%	Shares	%
Ever Achieve Enterprises Limited <sup>(Note 1)</sup>	202,323,133	14.05	202,323,133	11.71
Public Shareholders	1,237,096,867	85.95	1,237,096,867	71.62
Shares to be issued under the New General Mandate	—	—	287,884,000	16.67
Total	1,439,420,000	100.00	1,727,304,000	100.00

*Note:*

- The entire issued share capital of Ever Achieve Enterprises Limited is beneficially owned as to 50% by Mr. Yuen Kin Wing, as to 25% by Mr. Chung Chiu Pui and as to 25% by Ms. Foo Hang Luen, Monita.

The table above illustrates that the shareholding of the public Shareholders in the Company would decrease from 85.95% to 71.62% upon full utilization of the New General Mandate assuming no other Share(s) is/are issued or repurchased by the Company after the Latest Practicable Date up to the date of the SGM.

Taking into account that the granting and extension of the New General Mandate (i) allows the Company to raise capital by allotment and issuance of new Shares before the next annual general meeting; (ii) provides more flexibility and options of financing to the Group for future business development as well as for other potential future investments and/or acquisitions as and when such opportunities arise; and (iii) the shareholding interests of all Shareholders in the Company will be diluted in proportion to their respective shareholdings upon any utilization of the New General Mandate, we are of the opinion that the potential dilution to the shareholdings of the public Shareholders as just mentioned is acceptable.

### RECOMMENDATIONS

Having taken into account the principal factors and reasons referred to the above, we are of the opinion that the terms of the grant of the New General Mandate are fair and reasonable so far as the Independent Shareholders are concerned and the grant of the New General Mandate is in the interests of the Company and the Shareholders as a whole. Accordingly, we would recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the SGM to approve the New General Mandate.

Yours faithfully,  
For and on behalf of  
**Menlo Capital Limited**  
**Michael Leung**  
*Director*

*This Appendix contains the particulars 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 resolution to be proposed at the SGM in relation to the New Repurchase Mandate.*

#### **(1) LISTING RULES RELATING TO REPURCHASE OF SHARES**

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their shares on the Stock Exchange and any other stock exchange on which the securities of the company are listed and such exchange is recognised by the Securities and Futures Commission of Hong Kong subject to certain restrictions. Among such restrictions, the Listing Rules provide that the shares of such company must be fully paid up and all repurchase of shares by such company must be approved in advance by an ordinary resolution of shareholders, either by way of a general repurchase mandate or by specific approval of a particular transaction.

#### **(2) NEW REPURCHASE MANDATE**

At the SGM, an ordinary resolution will be proposed that the Directors be given a general and unconditional mandate to exercise all the powers of the Company to repurchase Shares up to 10% of the issued share capital of the Company as at the date of passing of the resolution to approve the granting to the Directors the New Repurchase Mandate. The New Repurchase Mandate will continue to be in force until the conclusion of the next annual general meeting of the Company is required to be held by the Companies Act 1981 of Bermuda (as amended) and the Bye-Laws or any earlier date as referred to in paragraph (c) of resolution 2 as set out in the Notice of SGM.

#### **(3) EXERCISE OF THE NEW REPURCHASE MANDATE**

As at the Latest Practicable Date, the issued ordinary share capital of the Company comprised 1,439,420,000 Shares. Subject to the passing of the resolution granting the New 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 42,068,965 Shares outstanding) or repurchased prior to the SGM, the Company would be allowed to repurchase a maximum of 143,942,000 Shares, representing 10% of the issued share capital of the Company as at the Latest Practicable Date.

#### **(4) SOURCE OF FUNDS**

Repurchases made pursuant to the New Repurchase Mandate must be funded out of funds legally available for the purpose and in accordance with the Company's memorandum of association, the Bye-Laws, the Companies Act 1981 (as amended) and other applicable laws of Bermuda.

#### **(5) REASONS FOR REPURCHASES**

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

The Directors have no present intention to repurchase any Shares and they would only exercise the power to repurchase in circumstances where they consider that the repurchase would be in the best interests of the Company. The Directors consider that there may not be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the consolidated financial position of the Company as at 31 December 2010, being the date to which the latest published audited financial statements of the Company have been made up) in the event that the New Repurchase Mandate is exercised in full. However, the Directors do not propose to exercise the New Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital of the Company or its gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

## (6) SHARE PRICES

The highest and lowest prices at which the Shares have been traded on the Stock Exchange in each of the twelve months immediately preceding (and including) the Latest Practicable Date are as follows:

	Price per Shares	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
<b>2010</b>		
August	0.440	0.335
September	0.445	0.255
October	0.285	0.240
November	0.270	0.206
December	0.229	0.195
<b>2011</b>		
January	0.260	0.205
February	0.225	0.203
March	0.310	0.207
April	0.345	0.255
May	0.310	0.255
June	0.275	0.231
July	0.250	0.220
August (up to the Latest Practicable Date)	0.228	0.154

## (7) THE TAKEOVERS CODE AND MINIMUM PUBLIC HOLDING

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 for the purposes of Rule 32 of the Takeovers Code. Accordingly, a Shareholder, or group of Shareholders acting in concert (as defined in the Takeovers Code), 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 Rule 26 of the Takeovers Code.

At the Latest Practicable Date, the following Shareholders are interested in more than 10% of the Shares then in issue:

Name of substantial Shareholder	No. of Shares	Approximate percentage of shareholding %	Approximate percentage of shareholding (in the event that the Directors exercise in full the power to repurchase Shares) %
Ever Achieve Enterprises Limited <sup>(Note 1)</sup>	202,323,133	14.05	15.62

*Note:*

- The entire issued share capital of Ever Achieve Enterprises Limited is beneficially owned as to 50% by Mr. Yuen Kin Wing, as to 25% by Mr. Chung Chiu Pui and as to 25% by Ms. Foo Hang Luen, Monita.

On the basis of the current shareholdings of the above Shareholders, an exercise of the New Repurchase Mandate in full will not result in it becoming obliged to make a mandatory offer under Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, the Directors have no present intention to exercise the New Repurchase Mandate to such an extent that would result in a requirement of the above Shareholder, or any other persons to make a general offer under the Takeovers Code or the number of Shares in the hands of public falling below the prescribed minimum percentage of 25%.

#### **(8) SHARE REPURCHASED BY THE COMPANY**

No Shares have been repurchased by the Company, whether on the Stock Exchange or otherwise, in the last six months preceding the Latest Practicable Date.

#### **(9) GENERAL**

To the best of the knowledge of the Directors, having made all reasonable enquiries, none of the Directors nor any of their respective associates has any present intention to sell any Shares to the Company in the event that the New Repurchase Mandate is approved.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the New Repurchase Mandate in accordance with the Listing Rules, the Bye-Laws and the applicable laws of Bermuda.

No connected person (as defined in the Listing Rules) has notified the Company that he has a present intention to sell any Shares to the Company, or has undertaken not to do so, in the event that the New Repurchase Mandate is approved.

## NOTICE OF SGM

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this notice, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this notice.*

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)**

### NOTICE OF SPECIAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that a special general meeting (the “**SGM**”) of the shareholders of Daido Group Limited (the “**Company**”) will be held at Plaza 3, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Friday, 2 September 2011 at 10:30 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions of the Company:

#### ORDINARY RESOLUTIONS

1. “**THAT**, to the extent not already exercised, the mandate to allot and issue shares of the Company given to the directors (the “**Directors**”) of the Company at the annual general meeting (the “**AGM**”) of the Company held on 27 May 2011 be and is hereby revoked and replaced by the mandate **THAT**:
  - (a) subject to paragraph 1(c) below, pursuant to the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with unissued shares of HK\$0.01 each (the “**Shares**”) in the capital of the Company and to make or grant offers, agreements and options, including warrants to subscribe for Shares, which might require the exercise of such powers be and the same is hereby generally and unconditionally approved;
  - (b) the approval in paragraph 1(a) above shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
  - (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise), issued or dealt with by the Directors pursuant to the approval in paragraph 1(a) above, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) the exercise of any options

\* for identification purposes only



## NOTICE OF SGM

granted under the share option scheme of the Company; or (iii) any scrip dividend or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the bye-laws (the “**Bye-Laws**”) of the Company in force from time to time; or (iv) any issue of Shares upon the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible into Shares, shall not exceed the aggregate of:

- (i) 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this resolution; and
- (ii) (if the Directors are so authorised by a separate ordinary resolution of the shareholders of the Company) the nominal amount of any share capital of the Company repurchased by the Company subsequent to the passing of this resolution (up to a maximum equivalent to 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of such resolution),

and the authority pursuant to paragraph 1(a) of this resolution shall be limited accordingly; and

- (d) for the purpose of this resolution:

“**Relevant Period**” means the period from the date of the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-Laws, the Companies Act 1981 of Bermuda (as amended) (the “Companies Act”) or any other applicable law of Bermuda to be held; or
- (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors by this resolution;

“**Rights Issue**” means an offer of Shares, or offer or issue of warrants, options or other securities giving rights to subscribe for Shares open for a period fixed by the Directors to holders of Shares on the register on a fixed record date in proportion to their then holdings of Shares (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction outside Hong Kong or any recognised regulatory body or any stock exchange outside Hong Kong).”

## NOTICE OF SGM

2. **“THAT**

- (a) subject to paragraph 2(b) below, the exercise by the Directors during the Relevant Period (as defined in paragraph 2(c) below) of all powers of the Company to repurchase Shares on the Stock Exchange, or any other stock exchange on which the Shares may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for such purpose, and otherwise in accordance with the rules and regulations of the Securities and Futures Commission of Hong Kong, the Stock Exchange, the Companies Act and all other applicable laws in this regard, be and the same is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of Shares which may be repurchased or agreed to be repurchased by the Company pursuant to the approval in paragraph 2(a) during the Relevant Period (as defined in paragraph 2(c) below) shall not exceed 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of this resolution and the authority pursuant to paragraph 2(a) of this resolution shall be limited accordingly; and
- (c) for the purposes of this resolution:

**“Relevant Period”** means the period from the date of the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
  - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-Laws, the Companies Act or any other applicable laws of Bermuda to be held; or
  - (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors by this resolution.”
3. **“THAT** subject to the ordinary resolutions nos. 1 and 2 above being duly passed, the unconditional general mandate granted to the Directors to exercise the powers of the Company to allot, issue and deal with unissued Shares and to make or grant offers, agreements and options which might require to exercise of such powers pursuant to resolution no. 1 above be and is hereby extended by the addition thereon of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to resolution no. 2, provided that such amount shall not exceed 10 per cent. of the aggregate nominal amount of the issued Shares on the date of the passing of resolution no. 2.”
4. **“THAT** subject to and conditional upon the granting by the Listing Committee of the Stock Exchange of the listing of and permission to deal in the Shares which may be issued pursuant to the exercise of option to be granted under the refreshed scheme mandate limit (the

## NOTICE OF SGM

“**Scheme Mandate Limit**”) under the share option scheme adopted on 9 January 2006, which entitles the Directors to grant options after the listing of Shares on the Stock Exchange, in the manner as set out in paragraph 4(a) of this resolution,

- (a) the refreshment of the Scheme Mandate Limit of up to 10 per cent. of the Shares in issue as at the date of passing of this resolution be and is hereby approved; and
- (b) the Directors be and are hereby authorised do all such acts and things and execute all such documents, including under seal where applicable, as they consider necessary or expedient to give effect to the foregoing arrangement.”

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

Hong Kong, 17 August 2011

*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

*Notes:*

1. A member entitled to attend and vote at the SGM is entitled to appoint one or more than one proxy to attend and, subject to the provisions of the Bye-Laws, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the SGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. A form of proxy for use at the SGM is enclosed. Whether or not you intend to attend the SGM in person, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the SGM or any adjournment thereof, should he so wish.
3. In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is duly signed, or a notarially certified copy of such power of attorney or authority must be deposited at 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 not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof.
4. In the case of joint holders of shares, any one of such holders may vote at the SGM, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holder are present at the SGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.
5. Pursuant to the Listing Rules, the voting on all resolutions at the SGM will be conducted by way of poll.
6. As at the date hereof, the Board comprises executive Directors, namely, Mr. Au Tat Wai, Mr. Choy Kai Sing, Mr. Ho Hon Chung, Ivan and Mr. Tang Tsz Man, Philip, 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.