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DAIDO GROUP LIMITED

大同集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00544)

DISCLOSEABLE TRANSACTION: DISPOSAL OF INTEREST IN AN ASSOCIATE

On 17 September 2021, the Vendor, an indirect wholly owned subsidiary of the Company, entered into the Agreement with the Purchaser in relation to the Disposal of the Sale Shares, representing 30% of the issued share capital of the Target Company for a consideration of HK\$14,340,000. Upon Completion, the Group will cease to hold any shareholdings in the Target Company.

LISTING RULES IMPLICATIONS

As the relevant percentage ratio(s) exceed 5% but are all below 25%, the entering into the Agreement and the transactions contemplated thereunder constitute a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules.

The Board announces that on 17 September 2021, after arm's length negotiations, the Vendor has entered into the conditional Agreement with the Purchaser in relation to the Disposal.

** For identification purpose only*

THE AGREEMENT

The principal terms of the Agreement are set out below:

Date: 17 September 2021 (after trading hours)

Parties:

- (i) The Vendor as vendor
- (ii) The Purchaser as purchaser

The Vendor is a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of the Company.

The Purchaser is a company incorporated in Hong Kong with limited liability and is principally engaged in investment holding business. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the ultimate beneficial owners of the Purchaser are Mr. Chow Sai Hung, Ms. Kong Siu Mei Otilie and Ms. Chan Shirley Chiu and each of the Purchaser and its ultimate beneficial owners are Independent Third Parties.

ASSETS TO BE DISPOSED

Pursuant to the Agreement, the Vendor has conditionally agreed to dispose and the Purchaser has conditionally agreed to acquire the Sale Shares, which represents 30% of the entire issued share capital of the Target Company as at the date of the Agreement.

The Target Company is a company incorporated in the British Virgin Islands with limited liability and as at the date of the Agreement, 200 shares of the Target Company have been issued and are fully paid up or credited as fully paid and (1) 120 issued shares of the Target Company are legally and beneficially owned by the Purchaser; (2) 60 issued shares of the Target Company are legally and beneficially owned by the Vendor; and (3) 20 issued shares of the Target Company are legally and beneficially owned by GIK Business Consulting Limited ("**GIK**") respectively.

The Target Company holds the entire equity interests of Brilliant Cold Chain Solutions Limited ("**BCCS**"), being a company incorporated in Hong Kong with limited liability and is principally engaged in cold storage business in Hong Kong. As at 1 September 2021, the accounts receivable (the "**Accounts Receivable**") of BCCS amounted to approximately HK\$15 million.

GIK is a company incorporated in Hong Kong with limited liability and is principally engaged in consulting business. GIK is wholly and solely owned by Mr. Fung Pak Kei ("**Mr. Fung**"), who has been appointed as Executive Director of the Company with effect from 4 June 2019.

The Purchaser, the Vendor, GIK and the Target Company entered into a joint venture agreement dated 6 September 2018 (as supplemented by the supplemental joint venture agreement dated 29 October 2018) (the “**JV Agreement**”). The JV Agreement will be terminated with effect from the date of Completion.

To the best of the Directors’ knowledge, information and belief, GIK on the same date of the Agreement entered into a sale and purchase agreement (the “**GIK Agreement**”) to dispose all its shareholding interests in the Target Company to the Purchaser. For the avoidance of doubt, the GIK Agreement and the Agreement are not inter-conditional.

CONSIDERATION

The cash consideration for the Disposal will be HK\$14,340,000, which shall be satisfied by the Purchaser in the following manner:

- (a) as to HK\$5,154,000 shall be payable by the Purchaser by procuring BCCS to pay the same amount to the Vendor in cash upon the signing of the Agreement (the “**First Tranche Payment**”); and
- (b) as to HK\$9,186,000 shall be payable by the Purchaser by executing and procuring BCCS to execute a deed of assignment for the assignment of the Accounts Receivable of the same amount to the Vendor (or at the direction of the Vendor) on the date of Completion.

The consideration for the Disposal is determined after arm’s length negotiations between the parties to the Agreement with reference to, among others, the book value of the interest of the Group in the Target Company. The Directors consider that the consideration are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

CONDITIONS

The Disposal is conditional upon the satisfaction of the following:

- (a) the representations, warranties and undertakings provided by the Vendor under the Agreement remaining true and correct in all material respects;
- (b) if required under the Listing Rules, the passing of the resolution(s) by the Shareholders in general meeting approving the Agreement and the transactions contemplated thereunder; and
- (c) all necessary consents and approvals required to be obtained on the part of the Target Company, BCCS, the Purchaser and the Vendor in respect of the Agreement and the transactions contemplated thereby having been obtained.

The Purchaser may in its absolute discretion waive condition (a) above at any time by notice in writing to the Vendor. If the conditions set out above have not been satisfied (and/or waived) on or before 30 September 2021, or such other date as the Vendor and the Purchaser may agree, the Vendor shall return the First Tranche Payment without any interest to BCCS and the Agreement shall cease and determine and thereafter neither party shall have any obligations and liabilities towards each other, save for any antecedent breaches of the terms of the Agreement.

COMPLETION

Completion of the Disposal is expected to take place on or before 30 September 2021 after the fulfillment and/or waiver of the aforesaid conditions (or such other date as the parties may agree).

Upon Completion, the Group will cease to hold any shareholdings in the Target Company.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company incorporated on 2 January 2018 in the British Virgin Islands with limited liability and holds the entire issued share capital of BCCS. BCCS is a company incorporated on 2 January 2018 in Hong Kong with limited liability and is principally engaged in cold storage business in Hong Kong.

As at the date of the Agreement, the share capital of the Target Company is owned as to 30% by the Vendor, 60% by the Purchaser and 10% by GIK. The Target Company is accounted as an associate of the Company in the books and accounts of the Company.

Set out below is the unaudited consolidated financial information of the Target Company for the years ended 31 December 2019 and 31 December 2020, which was prepared in accordance with generally accepted accounting principles in Hong Kong:

	For the year ended 31 December 2019 (unaudited) (in HK\$'000) (approximately)	For the year ended 31 December 2020 (unaudited) (in HK\$'000) (approximately)
Revenue	49,198	76,648
Loss before taxation	73,180	53,389
Loss after taxation	73,180	53,389

As at 31 December 2020, the book value of the Target Company classified as “interest in an associate” in the financial statements of the Company amounted to approximately HK\$30,058,000.

REASONS FOR AND THE BENEFITS OF THE DISPOSAL AND INTENDED USE OF PROCEEDS

The Company is an investment holding company and the Group is principally engaged in cold storage and related business, trading of food and beverage business and also e-commerce business.

Since the establishment of the Target Company in 2018, the Target Company has been loss making. The Company is of the view that the loss making was mainly due to the challenging global economy since 2019 in view of the prolonged Sino-US trade war. Moreover, the outbreak of the COVID-19 pandemic in 2020 has made the situation even more difficult.

In light of the uncertainty in the future prospect of the Target Company, the Directors consider that the Disposal is a good opportunity for the Company to realize its investments in the Target Company. Furthermore, taking into consideration of the proceeds from the Disposal, the Company can reallocate its resources towards other potential business opportunities for better return for its Shareholders and also further strengthen the cash flow of the Group. The management of the Company can also be focusing on the business of the Group.

Taking into consideration of the aforesaid, the Directors consider that the terms and conditions of the Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

After deducting expenses relating to the Disposal, there will be net proceeds of approximately HK\$14 million from the Disposal. The Company intends to utilize the aforesaid net proceeds towards general working capital of the Group.

FINANCIAL EFFECTS

The Group expects that the Disposal will result in a gain of approximately HK\$315,000, namely the difference between (i) the consideration for the Sale Shares under the Disposal of HK\$14,340,000; and (ii) the unaudited carrying amount of the interest in the Target Company as at 31 August 2021 of approximately HK\$14,025,000. The actual amount of gain arising from the Disposal will be subject to final audit by the Company's auditors.

LISTING RULES IMPLICATIONS

As the relevant percentage ratio(s) exceed 5% but are all below 25%, the entering into the Agreement and the transactions contemplated thereunder constitute a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Agreement”	the conditional sale and purchase agreement dated 17 September 2021 and entered into between the Vendor and the Purchaser in relation to the Disposal by the Vendor of the Sale Shares
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Company”	Daido Group Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Disposal in accordance with the terms of the Agreement
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the Sale Shares by the Vendor to the Purchaser pursuant to the terms and conditions of the Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are not core connected persons of the Company and are third parties independent of the Company and its core connected persons in accordance with the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Purchaser”	Sub-Zero (HK) Limited, a company incorporated in Hong Kong with limited liability and an Independent Third Party

“ Sale Shares ”	the 60 ordinary shares of US\$1.00 each in the issued share capital of the Target Company, representing 30% of the entire issued share capital of the Target Company
“ Shareholder(s) ”	holder(s) of the issued Share(s)
“ Share(s) ”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“ Stock Exchange ”	The Stock Exchange of Hong Kong Limited
“ Target Company ”	Loving Peace International Limited, a company incorporated in the British Virgin Islands with limited liability and an associate of the Company
“ Vendor ”	Sky Elegant Development Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly owned subsidiary of the Company
“ HK\$ ”	Hong Kong dollar(s), the lawful currency of Hong Kong
“ % ”	per cent

By order of the Board
Daido Group Limited
Ho Hon Chung, Ivan
Executive Director

Hong Kong, 17 September 2021

As at the date of this announcement, the Board comprises executive directors, namely, Mr. Ho Hon Chung, Ivan and Mr. Fung Pak Kei; non-executive directors, namely, Mr. Au Tat Wai and Mr. Fung Wa Ko; and independent non-executive directors, namely, Mr. Fung Siu Kit, Ronny, Mr. Leung Chi Hung and Mr. Tse Yuen Ming.