

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 stockbroker, or other licensed securities dealer, bank manager, solicitors, 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 together with the enclosed form of proxy to the purchaser or the transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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The logo for Daido Group Limited, featuring the word "DAIDO" in a bold, white, sans-serif font 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)

**VERY SUBSTANTIAL ACQUISITION:
ENTERING INTO OF JOINT VENTURE AGREEMENT;
GRANT OF PUT OPTIONS
AND
PROVISION OF MANAGEMENT SERVICE**

A notice convening a special general meeting (“**SGM**”) of the Company to be held at Plaza 1–2, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Friday, 16 November 2018 at 10:30 a.m. is set out on pages 21 to 23 of this circular.

Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed thereon and deposit the same at the offices of the Company’s branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

* *For identification purpose only*

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DEFINITIONS

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

“associates”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Brightway”	Brightway Logistics Limited, a company incorporated in Hong Kong with limited liability
“Company”	Daido Group Limited, a company incorporated in Bermuda with limited liability the issued Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	Completion of the JV Agreement in accordance with the terms thereof
“connected person”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“GIK Business”	GIK Business Consulting Limited, a company incorporated in Hong Kong with limited liability
“Gold View”	Gold View Management Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“HKAS”	Hong Kong Accounting Standard
“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) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third party(ies) independent of the Company and its connected persons in accordance with the Listing Rules
“JV Agreement”	the conditional joint venture agreement dated 6 September 2018 (as supplemented by the supplemental agreement dated 29 October 2018) and entered into among Sky Elegant, Sub-Zero (HK), GIK Business and the JV Company in relation to, among others, the JV Company and the provision of management service
“JV Board”	the board of directors of the JV Company

DEFINITIONS

“JV Company”	Loving Peace International Limited, a company incorporated in the British Virgin Islands with limited liability
“JV Group”	the JV Company and its subsidiaries
“Latest Practicable Date”	29 October 2018, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Management Service Agreement”	the management service agreement to be entered into between Gold View and Brightway in accordance with the terms of the JV Agreement
“PRC”	the People’s Republic of China
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be held and convened to consider and approve the JV Agreement and the transactions contemplated thereunder
“Shareholders”	holders of the Shares
“Share(s)”	ordinary shares of HK\$0.01 each in the capital of the Company
“Sky Elegant”	Sky Elegant Development Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sub-Zero (HK)”	Sub-Zero (HK) Limited, a company incorporated in Hong Kong with limited liability
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America

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

Non-executive Director:

Mr. Fung Wa Ko

Independent Non-executive Directors:

Mr. Fung Siu Kit, Ronny
Mr. Leung Chi Hung
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

31 October 2018

To the Shareholders

Dear Sir or Madam,

**VERY SUBSTANTIAL ACQUISITION:
ENTERING INTO OF JOINT VENTURE AGREEMENT;
GRANT OF PUT OPTIONS
AND
PROVISION OF MANAGEMENT SERVICE**

INTRODUCTION

Reference is made to the announcement of the Company dated 6 September 2018, pursuant to which the Board announces that on 6 September 2018, Sky Elegant, an indirect wholly-owned subsidiary of the Company, together with Sub-Zero (HK), GIK Business and the JV Company entered into the JV Agreement in relation to the operation and management of the JV Company. Immediately after Completion, the issued share capital of the JV Company will be owned as to 30% by Sky Elegant, as to 60% by Sub-Zero (HK) and as to 10% by GIK Business. The JV Company will be principally engaged in cold storage business in Hong Kong and/or the PRC.

* For identification purpose only

LETTER FROM THE BOARD

Since the exercise of the First Put Option and the Second Put Option are not at the discretion of the Group, pursuant to Rule 14.74 of the Listing Rules, on the grant of the First Put Option and the Second Put Option, the transaction will be classified as the First Put Option and the Second Put Option had been exercised. On the assumption that the First Put Option had been exercised, the highest applicable percentage ratio in respect of the JV Agreement and the transactions contemplated thereunder is more than 100%, the transactions contemplated under the JV Agreement (including but not limited to the grant and exercise of the First Put Option) constitute a very substantial acquisition of the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The purpose of this circular is to provide you with details regarding the JV Agreement and the transactions contemplated thereunder in accordance with the Listing Rules. A notice of the SGM is set out on pages 21 to 23 of this circular.

THE JV AGREEMENT

- Date** : 6 September 2018 (as supplemented by the supplemental agreement dated 29 October 2018)
- Parties** : (i) Sky Elegant;
(ii) Sub-Zero (HK);
(iii) GIK Business; and
(iv) the JV Company

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

Sub-Zero (HK) 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, Sub-Zero (HK) and its ultimate beneficial owner(s) are Independent Third Parties.

GIK Business is a company incorporated in Hong Kong with limited liability and is principally engaged in consulting business. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, GIK Business and its ultimate beneficial owner(s) are Independent Third Parties.

The JV Company and Brightway

The JV Company is a company incorporated on 2 January 2018 in the British Virgin Islands with limited liability and will hold the entire issued share capital of Brightway. Brightway is a company incorporated on 2 January 2018 in Hong Kong with limited liability and will be principally engaged in cold storage business in Hong Kong, the PRC and other countries as the board of directors of the JV Company (the "**JV Board**") may from time to

LETTER FROM THE BOARD

time determine. Pursuant to the JV Agreement, the JV Company and Brightway shall not engage in any other business unless otherwise agreed by the parties to the JV Agreement. As at the Latest Practicable Date, Brightway has obtained business registration certificate but has not yet commenced any substantial operations (other than the Offer to Lease (as defined below)).

As at the Latest Practicable Date, the share capital of the JV Company is owned as to 100% by GIK Business. At Completion, the share capital of the JV Company is US\$100 divided into 100 shares which are owned as to 30% by Sky Elegant, 60% by Sub-Zero (HK) and 10% by GIK Business.

Brightway has entered into an offer to lease (the “**Offer to Lease**”) with an Independent Third Party (the “**Landlord**”) on 14 June 2018 in relation to the tenancy of premises (the “**Premises**”) in Hong Kong for the Hong Kong JV Project (as defined below) from 1 September 2018 to 31 August 2023 with options to renew for further 60 months. The Landlord a company with state-owned enterprise background and is the owner of the Premises, which is located in a logistics centre in Tsing Yi, New Territories. Under the Offer to Lease, the Landlord offered to lease the premises to Brightway for a fixed term of 60 months for monthly rent of approximately HK\$5 million (approximately HK\$16 per sq. ft.) per month. Based on the public available of rental information in Tsing Yi, the rents range from approximately HK\$14 to HK\$18 per sq. ft.. The Company considers that the rent and rental period under the Offer to Lease are comparable with other market comparables and considers that the lease terms under the Offer to Lease are on normal commercial terms.

To the best of the Directors’ knowledge, information and belief, save and except for the Offer to Lease, there is no relationship among (a) the Landlord; (b) Sub-Zero (HK); (c) GIK Business; and (d) the Company and its subsidiaries.

Upon formation of the JV Company, the JV Company will be classified as an associate of the Company and the results and assets and liabilities of the associate will be incorporated in these consolidated financial statements using the equity method of accounting under HKAS28. As the JV Company will be classified as an associate of the Company, it is expected that the JV Agreement will not have immediate impact on the earnings of the Group. It is expected that there will not be material impact on the assets and liabilities of the Group upon formation of the JV Company.

Upon formation of the JV Company, the Group will have investment in associate of the invested amount under assets. Possible liabilities will be the derivative financial instruments derived from the fair value of exit options granted to Sub-Zero (HK). The results and assets and liabilities of the associate are incorporated in these consolidated financial statements using the equity method of accounting under HKAS28.

Upon exercise of the exit options by Sub-Zero (HK), the Company will hold 90% interests in the JV Company and shall be entitled to nominate additional two directors to the JV Board and the investment by the Company in the JV Company will change from investment in associate to partially-owned subsidiary. The results and assets and liabilities of the JV Company will be consolidated to the Group.

LETTER FROM THE BOARD

The Company considers that the JV Company will bring benefits and make positive contribution to the Group in the long run but the quantification of such contribution will depend on the future performance of the JV Group.

Investment Commitment

The cold storage business shall first commence in Hong Kong (the “**Hong Kong JV Project**”). The initial total investment amount of the Hong Kong JV Project shall be in the sum of up to US\$33,000,000 (the “**Total Investment Amount**”) which shall be used solely in relation to the Hong Kong JV Project, including but not limited to, leasing a warehouse and installation of the necessary cold storage system and other facilities and equipment necessary for the implementation of the cold storage business and working capital requirement of the Hong Kong JV Project as the JV Board may decide from time to time.

The Total Investment Amount in the sum of US\$33,000,000 is expected to be funded in the following manner:

- (a) up to US\$28,000,000 to be funded by way of borrowings from banks or other financial institutions to the JV Group on such terms (including interest, repayment and security) satisfactory to the JV Board (the “**Bank Borrowings**”); and
- (b) up to US\$5,000,000 to be funded by way of unsecured interest-free shareholder loan (without fixed term of repayment) from Sub-Zero (HK) to fund working capital needs of the JV Group, to be approved by the JV Board, during the course of the business within the first two years of its business operation (the “**Sub-Zero (HK) Loan**”).

Sky Elegant and GIK Business shall provide cash collateral or equivalent security of up to US\$9,900,000 and US\$3,300,000, respectively, in favour of the financing bank as security for the Bank Borrowings to be provided to the JV Group above. Each of the parties to the JV Agreement shall provide a guarantee (which shall be in proportion to the shareholding held by the parties in the JV Company respectively) in favour of the financing bank to secure the JV Group’s obligations under the Bank Borrowings on a several basis. The guarantees to be provided by each of Sky Elegant, Sub-Zero (HK) and GIK Business are in favour of the bank for the Bank Borrowings in proportional to their respective shareholdings in the JV Company on a several basis.

In case of the arrangement of the Bank Borrowings set out above have not been satisfied, each of the parties to the JV Agreement shall take up the contribution of the Total Investment Amount in proportion to the shareholding held by the parties in the JV Company respectively as shareholders’ loan.

The Total Investment Amount is determined after arm’s length negotiations of the parties to the JV Agreement with referencing to the capital needs of the Hong Kong JV Project. It is expected that approximately US\$22,500,000 would be utilized by the JV Group for design and build services of the Premises, including but not limited to installation of necessary cold

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storage related facilities and equipment, as to approximately US\$5,400,000 would be utilized by the JV Company to settle the leasing fees, rates and relevant government rent and as to the remaining US\$5,100,000 towards general working capital of the JV Group.

Under the JV Agreement, the relevant parties to the JV Agreement shall be responsible for their respective contribution to the Total Investment amount in accordance with the terms of the JV Agreement. Gold View shall enter into the Management Service Agreement with Brightway to operate the cold storage business and Gold View shall assist Brightway for the daily operations of the cold storage business, whereas the JV Board will determine the overall strategic and management decisions of the JV Company.

Conditions precedent

Completion of the JV Agreement and the transactions contemplated thereunder shall be conditional upon the fulfilment and/or waiver of the following conditions precedent:

- (a) the entering into of the formal tenancy agreement (the “**Formal Tenancy Agreement**”) as referred to in the Offer to Lease by Brightway in the form and substance satisfactory to each of the parties to the JV Agreement;
- (b) the passing of the resolution(s) by the Shareholders in the SGM approving the JV Agreement and the transactions contemplated thereunder;
- (c) all necessary consents, licenses and approvals required to be obtained by the parties to the JV Agreement in respect of the JV Agreement and the transactions contemplated hereunder having been obtained and remained in full force and effect;
- (d) the entering into Management Service Agreement (in form and substance satisfactory to the JV Board) between Brightway and Gold View in which a designated subsidiary of the Company, shall undertake the performance of Gold View’s obligations under the Management Service Agreement; and
- (e) completion of the transfer of the entire issued shares of Brightway to the JV Company.

The parties to the JV Agreement may at their absolute discretion at any time waive in writing conditions (a), (c) and (d). For the avoidance of doubt, conditions (b) and (e) are incapable of being waived. If the conditions set out above have not been satisfied (or waived) on or before 20 December 2018 or such later date as the parties to the JV Agreement may agree, the JV Agreement shall cease and determine (save as otherwise provided therein) and neither party shall have any obligations nor liabilities towards each other save for any antecedent breaches.

As at the Latest Practicable Date, save for condition (e), the other conditions precedent have not been fulfilled yet. It is expected that the Formal Tenancy Agreement and the Management Service Agreement will be entered into as soon as practicable after obtaining Shareholders’ approval at the SGM.

LETTER FROM THE BOARD

Board composition

The board of directors of the JV Company will comprise of five directors. Each of Sky Elegant and GIK Business shall have the right to appoint one (1) director respectively. Sub-Zero (HK) shall have the right to (a) appoint up to two (2) directors, (b) appoint a non-executive director who shall be an independent professional.

Provision of management service

Pursuant to the JV Agreement, Brightway shall enter into a Management Service Agreement with Gold View, an indirect wholly-owned subsidiary of the Company, pursuant to which Gold View will be appointed as a manager of the JV Company to operate and management the cold store business in accordance with the terms and conditions therein. Please refer to the section headed “Management Service Agreement” below for further details.

Dividend policy

Subject to the JV Agreement and the articles of association of the JV Company and the terms of any loans to the JV Group, having regard to the financial position of the JV Group, the outstanding financial covenant to which the JV Group is subject, the availability of surplus cash required to finance the working capital requirements of the JV Group and any future business as the JV Board considers appropriate, the JV Board may procure that up to 90% of the distributable profits available for distribution in respect of each financial year to be distributed by the JV Company to the then shareholders of the JV Company in accordance with their then respective shareholdings in the JV Company by way of interim dividend or annual dividend.

Exit Option

(A) First Put Option

In consideration of the mutual covenants in the JV Agreement, Sky Elegant grants to Sub-Zero (HK) an option (the “**First Put Option**”) whereby Sub-Zero (HK) has the right to, by way of a written notice (the “**Option Notice**”), require Sky Elegant or its designated person(s) to purchase from Sub-Zero (HK) all or part of its Shares (the “**Relevant Shares**”) and the Sub-Zero (HK) Loan advanced to the JV Group and outstanding from time to time (the “**Shareholder Loan**”), at the exercise price determined below. The First Put Option shall be exercisable by Sub-Zero (HK) in the event that Gold View fails to meet the Key Performance Indicators (KPIs) (as defined below) in accordance with the Management Service Agreement (subject to the Management Service Agreement having been entered into in accordance with the JV Agreement). The First Put Option shall be exercisable by Sub-Zero (HK) within thirty-six (36) months after the date of the Management Service Agreement (the “**First Put Option Period**”). In case the KPIs of the Management Service Agreement may not be met in the last quarter of the First Put Option Period, the expiry date of the First Put Option Period shall be extended by further six months (the “**Extended First Put Option Period**”) to ascertain if the KPIs can be met in the last three consecutive quarters prior to the expiry of the Extended First Put Option Period.

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For the avoidance of doubt, the First Put Option is exercisable at the discretion of Sub-Zero (HK) but the exercise of which is subject to fulfillment of certain conditions as mentioned above. Please refer to the section headed “Management Service Agreement” for further details.

Under the First Put Option, the price of the Relevant Shares and Shareholder Loan shall be determined based on the pro-rata share of the valuation of the Company which is the higher of (i) the Total Investment Amount plus any additional investments approved by the JV Board together with an annual return of 15% and (ii) the fair value (the “**Fair Value**”) of the equity in the JV Company and the Shareholder Loan as determined by a firm of independent public accountants, which shall be one of the “**Big Four**” accounting firms based in Hong Kong, to be selected and appointed by the JV Company (“**Big Four CPA firms**”). Such a firm of independent public accountants shall certify in writing the sum which, in their opinion, is the Fair Value of the Relevant Shares and the Shareholder Loan. The cost of obtaining the certification shall be borne by the JV Company. Completion of the sale and purchase of the Relevant Shares and Shareholder Loan and full payment of the considerations shall take place within 120 days from the date of the Option Notice. The exercise price would be settled in cash unless otherwise agreed by the parties to the JV Agreement.

Whilst the Company noted that the exercise price of the First Put Option represents a premium to the proportional Total Investment Amount, based in its experience in cold storage business and taking into consideration of the historical figures of the Group since 1 January 2016, the Company considers that the possibility for Gold View fails to meet the KPIs under the Management Service Agreement would be relatively remote. The annual return rate for the First Put Option was determined after arm’s length negotiations between the parties with referencing to the anticipated increase in interest rate in the forthcoming few years and the funding costs of Sub-Zero (HK). It is noted that HSBC, one of the leading commercial bank in Hong Kong, has increased its prime interest rate in September 2018. It is also anticipated that the US Federal Reserve will keep raising interest rates in the forthcoming few years. As such, it is anticipated that the interest rate will keep increase in the forthcoming few years.

(B) Second Put Option

In consideration of the mutual covenants in the JV Agreement, Sky Elegant hereby further grants to Sub-Zero (HK) an option (the “**Second Put Option**”) whereby Sub-Zero (HK) has the right to, by way of an Option Notice, require Sky Elegant or its designated person(s) to purchase from Sub-Zero (HK) all or part of its Relevant Shares and Shareholder Loan advanced by Sub-Zero (HK) to the JV Group, at the exercise price determined below. The Second Put Option shall be exercisable by Sub-Zero (HK) after the expiration of thirty-six (36) months after the date of the JV Agreement. For the avoidance of doubt, the Second Put Option shall be exercisable by Sub-Zero (HK) irrespective of whether Gold View is able to meet the KPIs in accordance with the Management Service Agreement or not.

In respect of the Second Put Option, it is noted that the Second Put Option Price is of a relatively small sum in comparison with the proportional Total Investment Amount. The Second Put Option Price is determined after arm’s length negotiations between the parties with reference to the Total Investment Amount.

LETTER FROM THE BOARD

Under the Second Put Option, the price of the Relevant Shares and the Shareholder Loan shall be equal to the summation of the outstanding amount of the Sub-Zero (HK) Loan and US\$1,000,000 (or if Sub-Zero (HK) subsequently disposed of its shares, US\$1,000,000 multiplied by the number of shares held by Sub-Zero (HK) at the time when Sub-Zero (HK) exercises the Second Put Option divided by the number of shares held by Sub-Zero (HK) upon Completion). Completion of the sale and purchase of the relevant Shares and Shareholder Loan and full payment of the considerations shall take place within 120 days from the date of the Option Notice, subject to an approved refinancing arrangement from bank or financing institution having been put in place for the JV Company. The exercise price would be settled in cash unless otherwise agreed by the parties to the JV Agreement.

The Company will comply with the relevant Listing Rules requirements in the event of the exercise of the First Put Option or the Second Put Option by Sub-Zero (HK).

Reasons for the grant of the First Put Option and the Second Put Option

The First Put Option and the Second Put Option are part of the terms of the JV Agreement. The purpose for the grant of the First Put Option and the Second Put Option is to provide comfort. Whilst the First Put Option and the Second Put Option are exercisable at the discretion of Sub-Zero (HK), it is noted that there are restrictions on the exercise of such options. In respect of the First Put Option, the Company is of the view that the possibility for Gold View fails to comply with the terms of the Management Service Agreement is relatively remote. In respect of the Second Put Option, it is noted that the Second Put Option Price is of a relatively small sum in comparison with the Total Investment Amount. As such, the Board is of the view that the First Put Option and the Second Put Option and the terms thereof are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

Since the exercise of the First Put Option and the Second Put Option are not at the discretion of the Group, pursuant to Rule 14.74 of the Listing Rules, on the grant of the First Put Option and the Second Put Option, the transaction will be classified as the First Put Option and the Second Put Option had been exercised. The Company will seek Shareholders' approval at the SGM with respect to the grant and exercise of the First Put Option and the Second Put Option.

THE MANAGEMENT SERVICE AGREEMENT

Date : After obtaining Shareholders' approval regarding the JV Agreement at the SGM

Parties : (i) Gold View; and
(ii) Brightway

Pursuant to the terms of the proposed Management Service Agreement, Brightway will appoint Gold View as the manager to provide the Management Services (as defined below) for an initial term of 60 months, be subject to the early termination in accordance with the terms thereof.

LETTER FROM THE BOARD

Gold View will provide to Brightway, the management services set out below (the “**Management Services**”) that are customary and usual for the proper conduct and operation of the cold storage business to be operated in the Premises (the “**Cold Storage Business**”), subject to and in compliance with all applicable laws, rules and regulatory requirements. In particular, Gold View shall provide:

- all necessary software, system, tool, equipment for the implementation and operation of the Cold Storage Business;
- provide all necessary staff for the operation of the Cold Storage Business and all necessary trainings to such staff;
- establish and revise, as necessary, administrative policies and procedures, including policies and procedures for the control of revenue and expenditures, for warehouse management control, for the control of credit, and for the scheduling of maintenance;
- implement overall management and supervision of the Cold Storage Business, including but not limited to, after consulting the Board, setting the business direction, establishing prices, rates and charges for services provided, undertaking promotion and marketing programs, selling, business development for the Cold Storage Business.

Pursuant to the proposed terms of the Management Service Agreement, Gold View shall undertake to Brightway to meet the following Key Performance Indicators (KPIs):

- Gold View shall maintain Brightway’s cold storage facilities to an average occupancy to be not less than that of the cold store facilities of its related companies in Hong Kong after the Cold Storage Business is 9 months into full operations; and
- the gross revenue for three (3) consecutive quarters deriving from the Cold Storage Business shall not be less than US\$2,400,000 per quarter (i.e. an average gross revenue of US\$800,000 per month).

Gold View shall provide all necessary support documents and evidence to the satisfaction of Brightway to consider whether the KPIs are met.

LETTER FROM THE BOARD

In consideration for the provision of the Management Services by Gold View during the term of the Management Service Agreement on the provisions set out therein, Brightway shall pay to Gold View a monthly management fee to be determined based on the gross revenue of Brightway in the following manner:

Monthly Gross Revenue	Management Fee
Less than US\$800,000	15% of the monthly gross revenue
US\$800,000 or more but less than US\$1.1 million	25% of the amount between the monthly gross revenue of US\$800,000 or more but less than US\$1.1 million
US\$1.1 million or more	35% of the amount of gross revenue above US\$1.1 million

Brightway's responsibilities under the proposed Management Service Agreement:

- Brightway shall be responsible for all costs of maintenance and repair incurred in relation to the Cold Storage Business, including without limitation, the costs of maintenance and repair incurred for maintaining the premises where the Cold Storage Business is operated;
- Brightway shall be responsible for the provision of all utilities, rates, government rent and management fees for the operation and implementation of the Cold Storage Business and all costs and charges incurred, including but not limited to, gas, electricity, water and other similar outgoings;
- Brightway shall be responsible for the all costs and charges incurred for the shuttle service in order to mobilise the necessary manpower to and from the cold storage facilities.

Pursuant to the terms of the proposed Management Service Agreement, Brightway acknowledge that Gold View shall be the exclusive agent for the provision of Management Services to Brightway and shall provide the Management Services exclusively for Brightway for its Cold Storage Business, Gold View shall not provide the Management Services for any third party unless prior written consent of Brightway is obtained.

REASONS FOR ENTERING INTO OF THE JV AGREEMENT AND THE MANAGEMENT SERVICE AGREEMENT

The Group is principally engaged in cold storage and related business in Hong Kong; trading of food and beverage business in the PRC; provision of money lending business in Hong Kong and investment holding.

LETTER FROM THE BOARD

The Company is seeking opportunities in order to increase the return to its Shareholders. The Company considers that there will be growth potential in investment of cold storage business in Hong Kong and the PRC. The JV Company will allow the Group to utilise its experience in provision of management services regarding cold storage business without substantial capital expenditure. On the other hand, the Group can have stable revenue stream from the management fees under the Management Service Agreement. The Company is optimistic as to the prospect of the JV Company.

Taking into account of the future prospect of the JV Company, the Directors (including the independent non-executive Directors) consider that the entering into of the JV Agreement and the Management Service Agreement and the terms and conditions thereunder are fair and reasonable and on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATION

Since the exercise of the First Put Option and the Second Put Option are not at the discretion of the Group, pursuant to Rule 14.74 of the Listing Rules, on the grant of the First Put Option and the Second Put Option, the transaction will be classified as the First Put Option and the Second Put Option had been exercised. On the assumption that the First Put Option had been exercised, the highest applicable percentage ratio in respect of the JV Agreement and the transactions contemplated thereunder is more than 100%, the transactions contemplated under the JV Agreement (including but not limited to the grant and exercise of the First Put Option) constitute a very substantial acquisition of the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, no Shareholders have a material interest in the JV Agreement and the transactions contemplated thereunder and no Shareholders have to abstain from voting at the SGM of the Company to approve the JV Agreement and the transactions contemplated thereunder.

Completion is subject to the fulfilment of various condition precedents and therefore the JV Agreement together with the transactions contemplated thereunder including but not limited to the entering into of the Management Service Agreement may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

SGM

A notice convening the SGM to be held at Plaza 1–2, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Friday, 16 November 2018 at 10:30 a.m. is set out on pages 21 to 23 of this circular.

LETTER FROM THE BOARD

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed thereon and deposit the same at the offices of the Company's branch share registrar in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

RECOMMENDATION

The Board considers that the terms of the JV Agreement and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the resolutions as set out in the notice of the SGM.

ADDITIONAL INFORMATION

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

Yours faithfully
By order of the Board
DAIDO GROUP LIMITED
Au Tat Wai
Executive Director

1. SUMMARY OF FINANCIAL INFORMATION

The financial information of the Group for (i) the year ended 31 December 2015 is disclosed in the annual report of the Company for the year ended 31 December 2015 published on 18 April 2016, from pages 30 to 80; (ii) for the year ended 31 December 2016 is disclosed in the annual report of the Company for the year ended 31 December 2016 published on 20 April 2017, from pages 49 to 105; and (iii) the year ended 31 December 2017 is disclosed in the annual report of the Company for the year ended 31 December 2017 published on 19 April 2018, from page 55 to 109, all of which have been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.irasia.com/listco/hk/daido/index.htm).

2. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

For the financial year ended 31 December 2017, the Group's total revenue amounted to approximately HK\$275 million as compared to approximately HK\$306 million from the preceding year. During that period of review, the Group recorded a loss of approximately HK\$35.4 million as compared to a loss of approximately HK\$12.3 million in 2016.

The losses were primarily attributable to a significant drop in the Group's cold storage business during that year, especially in storage volume. This decline reflected the impact of unfavorable changes in the external environment, where the shrinking intermediary trade and accompanying demand in perishable merchandise dampened customer needs for cold storage facilities and services. Rental fee for the Group's cold storage facilities were raised but the increases were unable to offset the business decline.

As the Group's cold storage business and its logistics business are complementary and closely linked, the latter's performance has also been affected negatively.

As at the Latest Practicable Date, the Group had two cold storage warehouses. In the event that these two lease agreements could not be renewed, there may be adverse impact on the Company's cold storage business operations. The Group and one of the landlords entered into a binding offer letter on 28 September 2018 in relation to the renewal of the existing lease of the cold storage warehouse. The lease term under the offer letter would be 8 years from 15 February 2019 to 14 February 2027. The Group will try to carry out negotiations with the other landlord for the renewal of lease for the other cold storage warehouse.

Looking ahead, Hong Kong is expected to remain in a state of steady growth, supported by the buoyant stock and property markets. Trade is likely to increase on the strengths of positive global economic outlook. Despite the temporary setback to its cold storage segment, the Group is confident that demand for its services will recover and steer the business back to a position of value. Therefore, the Group will continue to commit investments in its storage infrastructure in order to remain competitive in the long run.

As the lease agreements of the Group's two cold storage warehouses are due to expire in February 2019, negotiations are currently underway for their renewal. Success of renewal will be subject to our assessment of the terms and conditions. Yet, the Group is exploring other warehousing options as a backup plan. In any case, the Group will strive to ensure disruptions to its clients and its own operations are minimal.

3. INDEBTEDNESS

At the close of business on 31 August 2018, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Circular, the total indebtedness of the Group amounted to approximately HK\$100,385,000, and comprised of (i) bonds amounting to HK\$100,000,000 which were unsecured and unguaranteed; (ii) obligations under finance leases amounting to HK\$367,000 which were secured by motor vehicles under the leasing arrangements and were guaranteed by the directors of the Company; and (iii) an obligation under finance lease amounting to approximately HK\$18,000 which was secured by a motor vehicle under a leasing arrangement and unguaranteed.

Save as aforesaid and apart from intra-group liabilities and normal trade payable and accruals and other payables in the ordinary course of business, at the close of business on 31 August 2018, the Group did not have any debt securities issued and outstanding or agreed to be issued but unissued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade payables) or acceptance credits, debentures, mortgages, charges, finance lease, hire purchases commitments, guarantees or material contingent liabilities.

4. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that, taking into consideration the financial resources available to the Group including the internally generated funds, bonds, the present bank and other facilities, the Group will have sufficient working capital for at least twelve months from the date of this circular.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group as at 31 December 2017, the date to which the latest published audited financial statements of the Group were made up.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particular 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 is not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS**(a) Director's interests and short positions in the securities of the Company and its associated corporations**

As at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were otherwise required to notify the Company and the Stock Exchange pursuant to the Model Code.

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

So far as is known to the Directors, as at the Latest Practicable Date, the following person (not being Directors or chief executive of the Company) had, or was deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more

of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name of Shareholder	Nature of Interest	Number of Shares	Approximate percentage or attributable percentage of shareholding
Ever Achieve Enterprises Limited (<i>Note 1</i>)	Beneficial Owner	202,323,133	8.32%
Yuen Kin Wing (<i>Note 1</i>)	Interest of controlled corporation	202,323,133	8.32%
Bingo Chance Limited (<i>Note 2</i>)	Beneficial Owner	140,000,000	5.76%
Elite Plan Investments Limited (<i>Note 2</i>)	Interest of controlled corporation	140,000,000	5.76%
Wulglar Wai Wan (<i>Note 2</i>)	Interest of controlled corporation	140,000,000	5.76%

Notes:

1. 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.
2. Ms. Wulglar Wai Wan is an elder sister of Mr. Ho Hon Chung, Ivan, whom is an Executive Director of the Company. She is the sole ultimate beneficial owner of Elite Plan Investments Limited (“Elite”) and Bingo Chance Limited, a wholly-owned subsidiary of Elite. She is deemed to be interested in 140,000,000 shares which are held by Bingo Chance Limited under the SFO.

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

3. DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered into any service contract or management agreement, proposed or otherwise with any member of the Group (excluding contracts expiring or terminable by the employer within one year without payment of compensation other than statutory compensation).

4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or substantial Shareholder or any of their respective associates has any interest in business which competes with or may compete with the business of the Group or has any other conflict of interests which any person has or may have with the Group.

5. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

6. INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, no contract or arrangement of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any of the Directors had a material interest, whether directly or indirectly, subsisted as at the Latest Practicable Date.

None of the Directors has any direct or indirect interests in any assets which had been acquired or disposed of by or leased to, or which are proposed to be acquired or disposed of by or leased to, the Company or any of its subsidiaries during the period since 31 December 2017, the date to which the latest published audited financial statements of the Group were made up, up to and including the Latest Practicable Date.

7. MATERIAL CONTRACTS

The following contract(s) (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date which are or may be material:

- (a) the JV Agreement.

8. MISCELLANEOUS

- (a) The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (b) The head office and principal place of business of the Company in Hong Kong is Unit No. 1906, 19th Floor, West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong.
- (c) The branch share registrar and transfer office in Hong Kong of the Company is Union Registrars Limited at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.

- (d) The company secretary of the Company is Mr. Choy Kai Sing, who is also an executive Director and a fellow member of Association of Chartered Certified Accountants, Hong Kong Institute of Certified Public Accountants and Institute of Chartered Accountants in England and Wales. He is a Certified Public Accountant and has over 20 years working experience in auditing, accounting and investment banking.

9. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company in Hong Kong at Unit No. 1906, 19th Floor, West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong during normal business hours on any business day from the date of this circular up to and including the date of SGM:

- (a) the memorandum and bye-laws of the Company;
- (b) the annual reports of the Company for each of the three financial years ended 31 December 2015, 2016 and 2017 and the interim report of the Company for the six months ended 30 June 2018;
- (c) the material contracts referred to under the paragraph “Material contracts” in this appendix; and
- (d) this circular.

DAIDO

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 1-2, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Friday, 16 November 2018 at 10:30 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution as ordinary resolution of the Company:

“THAT

- (a) the conditional joint venture agreement dated 6 September 2018 (the “**JV Agreement**”) entered into among Sky Elegant Development Limited (“**Sky Elegant**”), an indirect wholly-owned subsidiary of the Company, Sub-Zero (HK) Limited (“**Sub-Zero (HK)**”), GIK Business Consulting Limited (collectively as the shareholders of the JV Company (as defined below)) and Loving Peace International Limited as the joint venture company (the “**JV Company**”) in relation to, among others, the JV Company and the provision of management service (a copy of which has been produced to this meeting marked “A” and signed by the Chairman of this meeting for identification purpose) and the transactions contemplated thereunder, including but not limited to the entering into of management service agreement (the “**Management Service Agreement**”) between Gold View Management Limited, an indirect wholly-owned subsidiary of the Company and Brightway Logistics Limited, a wholly subsidiary of the JV Company at the time of completion of the JV Agreement and the grant and exercise of the put options (the “**Put Options**”) by Sky Elegant to Sub Zero (HK) under the JV Agreement, be and are hereby approved, confirmed and ratified;

* *For identification purpose only*

NOTICE OF SGM

- (b) any one or more Directors be and are hereby authorised to sign, execute, perfect, deliver and do all such documents, deeds, acts, matters and things, as the case may be, as they may in their discretion consider necessary desirable or expedient to carry out and implement the JV Agreement and the transactions contemplated thereunder (including but not limited the Management Service Agreement and the grant and exercise of the Put Options) into full effect and to agree to such variation, amendment or waiver as are in the reasonable opinion of the Directors in the interests of the Company and its Shareholders as a whole provided that such variation, amendment or waiver shall not be fundamentally different from the terms as provided in the JV Agreement.”

By order of the Board
DAIDO GROUP LIMITED
Choy Kai Sing
Company Secretary

Hong Kong, 31 October 2018

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 proxy to attend and, subject to the provisions of the bye-laws of the Company, 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 with the circular of the Company dated 31 October 2018. Whether or not you intend to attend the SGM in person, you are requested 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 signed, or a certified copy of such power or authority must be deposited at the Company's branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, 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.

NOTICE OF SGM

5. The register of members of the Company will be closed from Tuesday, 13 November 2018 to Friday, 16 November 2018 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the SGM, all transfers of shares accompanied by the relevant share certificates must be lodged at the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Monday, 12 November 2018.
6. If Typhoon Signal No. 8 or above, or a "black" rainstorm warning is in effect any time after 7:30 a.m. on the date of the SGM, the SGM will be rescheduled. The Company will post an announcement on the website of the Company at www.irasia.com/listco/hk/daido/index.htm and on the HKEX news website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk to notify shareholders of the Company of the date, time and place of the rescheduled SGM.
7. Pursuant to the Listing Rules, the voting on all resolutions at the SGM will be conducted by way of poll.
8. As at the date hereof, the Board comprises executive Directors, namely, Mr. Au Tat Wai, Mr. Choy Kai Sing and Mr. Ho Hon Chung, Ivan, 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.