

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, 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 announcement.



DAIDO GROUP LIMITED

大同集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00544)

**MEMORANDUM OF UNDERSTANDING IN RESPECT OF THE
POSSIBLE DISPOSAL OF THE ENTIRE EQUITY INTERESTS IN THE
DISPOSED COMPANIES**

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong).

The Board announces that on 24 May 2013 (after trading hours of the Stock Exchange), the Company entered into a non-legally binding MOU with the Purchaser in relation to the Possible Disposal.

The Board wishes to emphasize that no binding agreement in relation to the Possible Disposal has been entered into as at the date of this announcement. As such, the Possible Disposal may or may not proceed. If the Possible Disposal materializes, it is expected to constitute a notifiable transaction on the part of the Company.

Shareholders and the investors are urged to exercise caution when dealing in the Shares. Further announcement in respect of the Possible Disposal will be made by the Company in the event that any Formal Agreement has been entered into.

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong).

MEMORANDUM OF UNDERSTANDING

The Board announces that on 24 May 2013 (after trading hours of the Stock Exchange), the Company entered into a non-legally binding MOU with the Purchaser in relation to the Possible Disposal, details of which are set out below:

Date: 24 May 2013

Parties: (a) the Company, as the vendor; and

(b) Golden Channel Limited, as the Purchaser

The Purchaser is a company incorporated in Hong Kong with limited liability and is principally engaged in investment holding. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of the Purchaser and its ultimate beneficial owner is an Independent Third Party.

Major terms of the MOU

Under the MOU, it is proposed that the Company will dispose of or procure the disposal of and the Purchaser will acquire the entire issued share capital of the Disposed Companies.

The consideration for the Possible Disposal shall be determined subject to further negotiation between the Company and the Purchaser and shall be payable in cash by the Purchaser to the Company upon completion of the Possible Disposal (or such other date to be mutually agreed between the Company and the Purchaser). The actual payment terms of the consideration for the Possible Disposal will be determined and negotiated between the Company and the Purchaser when the Formal Agreement is made.

Completion of the Possible Disposal is subject to the fulfillment of the following conditions (or the conditions as set out in the Formal Agreement when it is made):

- (a) all necessary consents and approvals required to be obtained on the part of the Company or its subsidiaries (as the case may be) in respect of the Formal Agreement and the transactions contemplated thereunder having been obtained;
- (b) all necessary consents and approvals required to be obtained on the part of the Purchaser in respect of the Formal Agreement and the transactions contemplated thereunder having been obtained;
- (c) there are no matters, facts or circumstances of the Company or undertakings given by the Company which constitute or may constitute a breach of the terms under the Formal Agreement;
- (d) the passing by the Shareholders at the special general meeting to be held by the Company an ordinary resolution approving the Formal Agreement and the transactions contemplated thereunder (if required);

- (e) any other conditions which may be agreed between the Company and the Purchaser and included in the Formal Agreement.

The Purchaser will commence the due diligence review of the assets, liabilities, operations and affairs of the Disposal Group as soon as practicable after the execution of the MOU and such due diligence review shall in any event be completed on or before the date falling 21 days from the date of the MOU.

Under the MOU, it is agreed that neither the Disposal Group nor the Company will during the period falling within 21 days from the date of the MOU negotiate with any party other than the Purchaser or its affiliates for the Possible Disposal. Both the Company and the Purchaser will proceed to negotiation and use their reasonable endeavor to enter into the Formal Agreement on or before the date falling 21 days from the date of the MOU (or such later date to be agreed by the parties thereto).

The MOU does not constitute any legally-binding commitment in respect of the Possible Disposal. The Possible Disposal is subject to the execution and completion of the Formal Agreement.

If the Formal Agreement materializes, the Possible Disposal is expected to constitute a notifiable transaction on the part of the Company pursuant to the Listing Rules and thus the Company will comply with the relevant requirements under the Listing Rules as and when appropriate.

REASONS FOR THE POSSIBLE DISPOSAL

The Group is principally engaged in the operation of cold storage and related services, investment holdings, as well as the operation of the karaoke outlets and related services in the PRC.

The Disposal Group is principally engaged in the operation of karaoke outlets, food and beverage outlets in the PRC as well as wine and beverage trading business in the PRC. The Group's karaoke outlets and related services segment, which is principally conducted by the Disposal Group, have been continuously operating at a loss and also will have further large capital commitment. The Directors consider that the Proposed Disposal is a good opportunity to dispose of its non-profitable business and better allocate its resources to the Group's cold storage and related services. Therefore, the Directors consider that the terms of the MOU are fair and reasonable and the Possible Disposal, if materialized, will be in the interests of the Company and the Shareholders as a whole.

The Board wishes to emphasize that no binding agreement in relation to the Possible Disposal has been entered into as at the date of this announcement. As such, the Possible Disposal may or may not proceed. If the Possible Disposal materializes, it is expected to constitute a notifiable transaction on the part of the Company.

Shareholders and the investors are urged to exercise caution when dealing in the Shares. Further announcement in respect of the Possible Disposal will be made by the Company in the event that any Formal Agreement has been entered into.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Belva”	Belva Investments Limited, a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of the Company
“Board”	the board of Directors
“BVI”	British Virgin Islands
“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
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal Group”	Disposed Companies and their respective subsidiaries
“Disposed Companies”	Belva, Rich Vantage and Hosanna
“Formal Agreement”	the formal sale and purchase agreement which may or may not be entered into in relation to the Possible Disposal
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hosanna”	Hosanna Investments Limited, a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of the Company
“Independent Third Party(ies)”	third party(ies) who is/are independent from the Company and its connected person(s)
“Inside Information Provisions”	has the meaning ascribed thereto under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“MOU”	the non-legally binding memorandum of understanding dated 24 May 2013 and entered into between the Company and the Purchaser setting out the preliminary understanding in relation to the Possible Disposal
“Possible Disposal”	the possible disposal by the Company of the entire issued share capital of the Disposed Companies as contemplated under the MOU, subject to the entering into of the Formal Agreement
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Golden Channel Limited, a company incorporated in Hong Kong with limited liability, being the purchaser under the MOU
“Rich Vantage”	Rich Vantage Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

By Order of the Board
Daido Group Limited
Au Tat Wai
Executive Director

Hong Kong, 24 May 2013

As at the date hereof, the Board comprises executive Directors, namely, Mr. Au Tat Wai, Mr. Choy Kai Sing, Mr. Chung Siu Wah, 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.

** for identification purpose only*