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DAIDO GROUP LIMITED

大同集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00544)

PROPOSED CAPITAL REORGANISATION

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The Board proposes to implement the Capital Reorganisation involving:

- (i) the Share Consolidation whereby every ten (10) issued Existing Shares will be consolidated into one (1) Consolidated Share;
- (ii) the Capital Reduction whereby the issued share capital of the Company will be reduced by (a) rounding down the total number of Consolidated Shares to the nearest whole number (if necessary); and (b) cancelling the paid up capital of the Company to the extent of HK\$0.09 on each of the then issued Consolidated Shares such that the par value of each issued Consolidated Share will be reduced from HK\$0.10 to HK\$0.01; and
- (iii) the transfer of all the credits arising from the Capital Reduction to the capital reserve account of the Company.

BOARD LOT SIZE

As at the date of this announcement, the Existing Shares are traded on the Stock Exchange in board lot size of 20,000 Existing Shares. It is proposed that, subject to and conditional upon the Capital Reorganisation becoming effective, the board lot size for trading on the Stock Exchange be change from 20,000 Existing Shares to 20,000 New Shares.

Based on the closing price of HK\$0.027 per Existing Shares as quoted on the Stock Exchange as at the date of this announcement, the value of each board lot of 20,000 New Shares, assuming Capital Reorganisation had already been effective would be HK\$5,400.

GENERAL

The SGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Capital Reorganisation. A circular containing, among other things, further detail of the proposed Capital Reorganisation and the notice convening the SGM is expected to be despatched to the Shareholders on or before 11 February 2022.

Shareholders should be aware of and take note that the Capital Reorganisation is conditional upon satisfaction of the conditions precedent set out in the paragraph headed “Conditions of the Capital Reorganisation” below, and therefore may or may not proceed.

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- (iii) the transfer of all the credits arising from the Capital Reduction to the capital reserve account of the Company.

As at the date of this announcement, the total authorised share capital of the Company is HK\$600,000,000, which is divided into 60,000,000,000 Shares, of which 2,901,104,000 Existing Shares have been allotted and issued as fully paid or credited as fully paid.

On the assumption that there is no change in the issued share capital prior to the Capital Reorganisation becoming effective, the Company will have 290,110,400 New Shares in issue and a credit of approximately HK\$26,109,936 arising from the Capital Reduction will be transferred to the capital reserve account of the Company.

Status of the New Shares

The issued New Shares will rank *pari passu* in all respects with each other in the same class in accordance with the Bye-laws. The Capital Reorganisation will not result in any change in the relative rights or proportionate interests of the holders of shares of the same class.

Other than the expenses incurred in relation to the Capital Reorganisation, its implementation will not in itself, alter the underlying assets, business operations, management or financial position of the Group or the proportionate interests or rights of the Shareholders.

Fractional entitlement to the Consolidated Shares

Fractional Consolidated Shares will be disregarded and will not be issued to the Shareholders but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefits of the Company.

Conditions of the Capital Reorganisation

The Capital Reorganisation is conditional upon:

- (a) the passing of a special resolution by the Shareholders at the SGM to approve the Capital Reorganisation;

- (b) the Stock Exchange granting the listing of, and permission to deal in, the New Shares arising from the Capital Reorganisation; and
- (c) compliance with the relevant procedures and requirements under Bermuda law and the Listing Rules to effect the Capital Reorganisation.

Subject to the satisfaction of the above conditions, it is expected that the Capital Reorganisation will become effective on the second Business Day immediately after the date of the SGM.

Listing Application

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the New Shares in issue and to be issued upon the Capital Reorganisation becoming effective.

Subject to the granting of the listing of, and permission to deal in, the New Shares on the Stock Exchange, as well as compliance with the stock admission requirements of the HKSCC, the New Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the New Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements will be made for the New Shares to be admitted into CCASS established and operated by HKSCC.

None of the Existing Shares are listed or dealt in on any other stock exchange other than the Stock Exchange, and at the time the Capital Reorganisation becomes effective, the New Shares in issue will not be listed or dealt in on any stock exchange other than the Stock Exchange, and no such listing or permission to deal is being or is proposed to be sought.

Adjustment to the Options

As at the date of this announcement, there are outstanding 116,044,160 Options, entitling the holder(s) thereof to convert into an aggregate of 116,044,160 Existing Shares upon exercise of the Options. Save for the 116,044,160 Options, the Company has no outstanding options, warrants or other securities convertible into Existing Shares and/or Consolidated Shares and/or New Shares.

BOARD LOT SIZE

As at the date of this announcement, the Existing Shares are traded on the Stock Exchange in board lot size of 20,000 Existing Shares. As set out in the “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by Hong Kong Exchanges and Clearing Limited, the expected value of each board lot shall be no less than HK\$2,000. Accordingly, it is proposed that, subject to and conditional upon the Capital Reorganisation becoming effective, the board lot size for trading on the Stock Exchange be change from 20,000 Existing Shares to 20,000 New Shares.

Based on the closing price of HK\$0.027 per Existing Shares as quoted on the Stock Exchange as at the date of this announcement, (i) the value of each board lot of 20,000 Existing Shares would be HK\$540; and (ii) the value of each board lot of 20,000 New Shares, assuming Capital Reorganisation had already been effective would be HK\$5,400.

REASONS FOR THE CAPITAL REORGANISATION

The closing prices of the Existing Shares were below HK\$0.1 in a number of trading days. Accordingly, the Company proposes to effect the Capital Reorganisation which would provide greater flexibility to the Company to carry out fund raising exercises in the future.

Based on the reasons above, the Board considers that the Capital Reorganisation is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Company hereby confirms that it will not carry out any corporate actions or arrangements that may affect the trading in the Shares, including share consolidation, share subdivision and change in board lot size, in the next 12 months which would have a contradictory effect to the Capital Reorganisation.

OTHER ARRANGEMENTS

Arrangement on odd lot trading

In order to facilitate the trading of odd lots (if any) of the New Shares, the Company will appoint a securities firm to provide a matching service, on a best effort basis, to those Shareholders who wish to acquire odd lots of the New Shares to make up a full board lot, or to dispose of their holding of odd lots of the New Shares. Details of the odd lot matching arrangements will be set out in the circular in relation to the Capital Reorganisation to be despatched to the Shareholders.

Shareholders with odd lot holdings of New Shares should note that matching of the sale and purchase of odd lots of the New Shares is on a best efforts basis. Successful matching of the sale and purchase of odd lots of the New Shares is not guaranteed.

Exchange of certificates for New Shares

Subject to the Capital Reorganisation becoming effective, which is currently expected to be on Thursday, 10 March 2022, Shareholders may during the period from Thursday, 10 March 2022 to Wednesday, 20 April 2022 (both days inclusive), submit their existing share certificates in pink colour for the Existing Shares to 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 to exchange for share certificates in blue colour for the New Shares at the expense of the Company.

Shareholders should note that after the prescribed time for free exchange of share certificates, a fee of HK\$2.50 (or such higher amount as may from time to time be allowed by the Stock Exchange) will be payable by the Shareholders to the Hong Kong branch share registrar for each share certificate issued for the New Shares or each existing share certificate for the Existing Shares submitted for cancellation, whichever the number of share certificates issued or cancelled is higher.

After 4:10 p.m. on Thursday, 14 April 2022, existing share certificates in pink colour for the Existing Shares will cease to be valid for trading and settlement purpose, but will remain valid and effective as documents of title and may be exchanged for share certificates for the New Shares at any time.

EXPECTED TIMETABLE

The expected timetable for the Capital Reorganisation is set out below. The expected timetable is subject to the results of the SGM and is therefore for indicative purpose only. Any change to the expected timetable will be announced in a separate announcement by the Company as and when appropriate. All times and dates in this announcement refer to Hong Kong local times and dates.

2022

Despatch date of circular with notice of the SGM	on or before Friday, 11 February
Latest time for lodging transfers of shares in order to qualify for attendance and voting at the SGM	4:00 p.m. on Wednesday, 2 March
Register of members closes	Thursday, 3 March to Tuesday, 8 March (both days inclusive)
Record date for attendance and voting at the SGM	Tuesday, 8 March
Latest time for lodging forms of proxy for the SGM	11:00 a.m. on Sunday, 6 March
Date and time of the SGM	11:00 a.m. on Tuesday, 8 March
Publication of the announcement of the results of the SGM	Tuesday, 8 March

The following events are conditional on the fulfillment of the conditions for the implementation of the Capital Reorganisation as set out in this announcement.

Effective date of the Capital Reorganisation	Thursday, 10 March
First day of free exchange of existing share certificates for new share certificates for New Shares	Thursday, 10 March
Dealing in the New Shares commences	9:00 a.m. on Thursday, 10 March

Original counter for trading in the Existing Shares in board lots of 20,000 Existing Shares (in the form of existing share certificates) temporarily closes	9:00 a.m. on Thursday, 10 March
Temporary counter for trading in the New Shares in board lots of 2,000 New Shares (in the form of existing share certificates) opens	9:00 a.m. on Thursday, 10 March
Original counter for trading in the New Shares in board lots of 20,000 New Shares (in the form of new share certificates for the New Shares) re-opens	9:00 a.m. on Thursday, 24 March
Parallel trading in the New Shares (in the form of new share certificates for the New Shares and existing share certificates) commences	9:00 a.m. on Thursday, 24 March
Designated broker starts to stand in the market to provide matching services for odd lots of the New Shares	9:00 a.m. on Thursday, 24 March
Designated broker ceases to stand in the market to provide matching services for odd lots of the New Shares	4:00 p.m. on Thursday, 14 April
Temporary counter for trading in the New Shares in board lots of 2,000 New Shares (in the form of existing share certificates) closes	4:10 p.m. on Thursday, 14 April
Parallel trading in the New Shares (in the form of new share certificates for the New Shares and existing share certificates) ends	4:10 p.m. on Thursday, 14 April
Last day for free exchange of existing share certificates for new share certificates for the New Shares	Wednesday, 20 April

GENERAL

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DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

“Board”	the board of Directors;
“Business Day”	a day (other than a Saturday, Sunday and any day on which a tropical cyclone warning no. 8 or above is hoisted or on which a “black” rainstorm warning is hoisted between 9:00 a.m. and 5:00 p.m.) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours;
“Bye-laws”	the bye-laws for the time being adopted by the Company and as amended from time to time;
“Capital Reduction”	the proposed reduction in the issued share capital of the Company as detailed in the section headed “Proposed Capital Reorganisation” of this announcement;
“Capital Reorganisation”	the Share Consolidation and the Capital Reduction;
“CCASS”	Central Clearing and Settlement System established and operated by the HKSCC;
“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 (stock code: 544);
“Consolidated Share(s)”	consolidated ordinary share(s) of HK\$0.10 each in the share capital of the Company immediately after the Share Consolidation becoming effective;
“Director(s)”	director(s) of the Company;

“Existing Share(s)”	issued and unissued existing ordinary share(s) of HK\$0.01 each in the share capital of the Company;
“Group”	the Company and its subsidiaries;
“HKSCC”	Hong Kong Securities Clearing Company Limited;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Main Board”	the Main Board of the Stock Exchange;
“New Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company immediately upon the Capital Reorganisation becoming effective;
“Options”	the outstanding share options granted by the Company under the share option scheme adopted by the Company;
“SGM”	the special general meeting of the Company to be convened and held to consider and, if appropriate, to approve the Capital Reorganisation;
“Share(s)”	collectively, the Existing Shares, the Consolidated Shares or the New Shares, as the case may be;
“Share Consolidation”	the proposed consolidation of every ten (10) issued Existing Shares into one (1) Consolidated Share;
“Shareholder(s)”	holder(s) of 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
Ho Hon Chung, Ivan
Executive Director

Hong Kong, 31 January 2022

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.

** For identification purpose only*