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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  
CHANGE IN TERMS OF THE LEASE**

The Company announces that on 29 July 2022, the Tenant, an indirect wholly-owned subsidiary of the Company, accepted and entered into the Confirmation Letter with the Landlord in respect of the rent for the two years from 15 February 2022.

Pursuant to HKFRS 16, as a result of the Change in Rent, the Group shall recognise an increase of its right-of-use assets regarding its right to use the Premises. As such, the Change in Rent is regarded as an acquisition of asset by the Group under Chapter 14 of the Listing Rules.

As the applicable percentage ratio (as defined in the Listing Rules) in respect of the Change in Rent contemplated under the Confirmation Letter based on the value of the additional right-of-use assets recognised by the Group pursuant to HKFRS 16 exceeds 5% but less than 25%, the Change in Rent constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is accordingly subject to the reporting and announcement requirements but is exempted from Shareholders' approval requirement.

**INTRODUCTION**

The Company announces that on 29 July 2022, the Tenant, an indirect wholly-owned subsidiary of the Company, accepted and entered into the Confirmation Letter with the Landlord in respect of the Change in Rent for the Lease of the Premises in respect of the rent for the two years from 15 February 2022. The Tenant has taken a lease of the Premises for its business since 2005.

## **CONFIRMATION LETTER AND THE LEASE**

Date: 29 July 2022

Parties: The Landlord

The Tenant

The Tenant is a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of the Company. The Tenant is principally engaged in the provision of management service for the Group's members.

The Landlord is a company incorporated in Hong Kong with limited liability and is the landlord of the Premises. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Landlord is an indirect subsidiary of a listed company in Hong Kong and the Landlord and its ultimate beneficial owners are Independent Third Parties.

Pursuant to the Confirmation Letter, it is agreed that the revised rent for the lease of the Premises shall be HK\$6,401,928 per month for a term of 2 years from 15 February 2022 and the cash deposit shall be increased by HK\$5,384,250 from 15 February 2022 onwards. The previous rent paid for the Premises prior to the Change in Rent was HK\$5,803,678 per month.

Set out below is the principal terms of the Lease having taken into account of the Confirmation Letter:

Date: 27 May 2019

Parties: The Landlord as landlord

The Tenant as tenant

Premises: No.8 Kwai Hei Street, Kwai Chung, New Territories

Term: 8 years commenced from 15 February 2019 and ending on 14 February 2027 (both days inclusive) with the first review period from 15 February 2022 to 14 February 2024 and the second review period from 15 February 2024 to 14 February 2027

Rent: Subject to review and agreement for each review period. For the first review period, the rent for the Premises shall be HK\$6,401,928 per month under the Confirmation Letter

The payment of the rent will be funded by the internal resources of the Group.

## **RIGHT-OF-USE ASSETS**

Pursuant to HKFRS 16, as a result of the Change in Rent, the Group shall recognise an increase of its right-of-use assets regarding its right to use the Premises. The increase in value of the right-of-use assets recognised by the Company under the Change in Rent is estimated to be approximately HK\$11,269,000, calculated with reference to the present value of the aggregated lease payments to be made as a result of the Change in Rent in accordance with HKFRS 16. As such, the Change in Rent is regarded as an acquisition of asset by the Group under Chapter 14 of the Listing Rules.

## **REASONS FOR THE ENTERING INTO OF THE CONFIRMATION LETTER**

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

The cold storage business has been our core business segment for nearly 20 years. The management of the Group believes that the continuation of operating of the cold storage business at the Premises is in line with the business strategy of the Group, and the continuation of the Lease would save the Group from relocation expenses. The Confirmation Letter is in line with the terms of the Lease, which specifies that the rent for the Premises shall be subject to review for the first review period. The terms of the Confirmation Letter were determined after arm's length negotiations between the parties and with reference to the prevailing market prices of comparable premises in the vicinity of the Premises. The entering into of the Confirmation Letter is in the ordinary course of business of the Group.

In light of the above, the Board considers that the terms of the Confirmation Letter are on normal commercial terms and are fair and reasonable and the Confirmation Letter is in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As the applicable percentage ratio (as defined in the Listing Rules) in respect of the Change in Rent contemplated under the Confirmation Letter based on the value of the additional right-of-use assets recognised by the Group pursuant to HKFRS 16 exceeds 5% but less than 25%, the Change in Rent constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is accordingly subject to the reporting and announcement requirements but is exempted from Shareholders' approval requirement.

## **DEFINITIONS**

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

<b>“Board”</b>	the board of Directors
<b>“Change in Rent”</b>	the change in rent as contemplated under the Confirmation Letter
<b>“Company”</b>	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
<b>“Confirmation Letter”</b>	the letter in relation to the notice in increase of rent and deposit dated 29 July 2022 and entered into between the Landlord and the Tenant
<b>“connected persons”</b>	has the meaning ascribed to it in the Listing Rules
<b>“Director(s)”</b>	the director(s) of the Company

<b>“Group”</b>	the Company and its subsidiaries
<b>“HKFRS”</b>	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the People’s Republic of China
<b>“Independent Third Party(ies)”</b>	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 parties independent of the Company and its connected persons of the Company in accordance with the Listing Rules
<b>“Landlord”</b>	Kwai Hei Investments No.1 Limited, a company incorporated in Hong Kong with limited liability and is the landlord of the Premises, an indirect subsidiary of Chevalier International Holdings Limited
<b>“Lease”</b>	the lease dated 27 May 2019 and entered into between the Landlord and the Tenant in relation to the lease of the Premises (as supplemented from time to time in accordance with the terms of the Lease)
<b>“Listing Rules”</b>	The Rules Governing the Listing of Securities on the Stock Exchange
<b>“Premises”</b>	the premises known as No.8 Kwai Hei Street, Kwai Chung, New Territories
<b>“Shareholders”</b>	holders of the Shares
<b>“Shares”</b>	ordinary shares in the share capital of the Company
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“Tenant”</b>	Diamond Sparkling Limited, a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Company
<b>“HK\$”</b>	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, 29 July 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*