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TAO HEUNG HOLDINGS LIMITED

稻香控股有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 573)

CONTINUING CONNECTED TRANSACTION IN RELATION TO SUPPLY OF PRODUCTS FROM AND TO NON-WHOLLY OWNED SUBSIDIARY

The Directors would like to announce that on 20 November 2015 (after trading hours) the Master Supply Agreement has been entered into whereby the Parties have agreed, subject to the terms and conditions therein contained, to supply or procure to supply the Products with each other at such prices based on the actual costs plus a mark-up of no more than 30%. The Master Supply Agreement will commence from 21 November 2015 to 31 December 2017.

Baker is a non-wholly owned subsidiary of the Company and is a connected person of the Company as the associate of director of the Company would hold 40% of the issued share capital of Baker as at the commencement date of the Master Supply Agreement. The transactions contemplated under the Master Supply Agreement therefore constitute continuing connected transactions (as such term is defined under the Listing Rules) for the Company.

LISTING RULE IMPLICATIONS

As at the commencement date of the Master Supply Agreement, the associate of a director of the Company would own 40% of the equity interest in Baker Limited and thus Baker Limited and its wholly owned subsidiary are connected persons of the Company. Pursuant to the Listing Rules, the entering into of the Master Supply Agreement constitutes continuing connected transaction of the Company.

Based on the Annual Cap, the applicable percentage ratios will be on an annual basis less than 5%. Accordingly, the transactions contemplated under the Master Supply Agreement will be subject to the reporting and announcement but are exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

* *For identification purpose only*

INTRODUCTION

The Directors would like to announce that Master Supply Agreement has been entered into whereby the Company has agreed, subject to the terms and conditions therein contained, to supply or procure to supply the Products to and from Baker and its wholly owned subsidiary at such prices based on the actual costs plus a mark-up of no more than 30%. The Master Supply Agreement will be effective from 21 November 2015 to 31 December 2017.

Particulars of the Master Supply Agreement are set forth below:

Date:	20 November 2015
Parties:	The Company or its designated subsidiaries Baker and its wholly owned subsidiary, ACT Foods
Subject:	Sales and purchases of the Products between the Group and Baker Group
Purchase price:	Cost plus a markup of no more than 30% as determined after arm's length negotiation between the parties
Term:	From 21 November 2015 to 31 December 2017

REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS

With the Group's food processing and logistics centre in Dongguan, the PRC and in Tai Po, Hong Kong together with the bakery factory in Shenzhen, the PRC which is operated by ACT Foods, the Group is able to streamline and centralize various procurement and production functions for the Group's restaurants and bakery shops which will result in improving the cost effectiveness of the Group's operation. In addition, such arrangement would enhance the quality on the food and services provided by the restaurants and the bakery shops of the Group. Hence, the Directors consider that the transactions contemplated under the Master Supply Agreement are beneficial to the business development of the Group as a whole.

The food processing and logistics centres are supplying the relevant Products to the Parties. However, because Baker and ACT Foods are connected persons of the Company, the transactions contemplated under Master Supply Agreement will constitute continuing connected transactions for the Company.

The terms of the Master Supply Agreement and in particular, the pricing basis of the Products, are no less favourable to the supply of the same (i) to other restaurants and bakery shops operated by the Group; and (ii) by other independent suppliers. On this basis, the Directors (including the independent non-executive Directors) consider that the terms of the Master Supply Agreement and the Annual Cap are fair and reasonable and in the interests of the shareholders as a whole.

HISTORICAL TRANSACTION AMOUNTS

The following is a summary of the approximate amounts of transactions in respect of the sale and purchases of Products between the Group and the Baker Group for the financial years ended 31 December 2013, 31 December 2014 and the nine months ended 30 September 2015:

	For the financial year ended 31 December 2013 HK\$'000	For the financial year ended 31 December 2014 HK\$'000	For the nine months ended 30 September 2015 HK\$'000 (unaudited)
Purchases from Baker Group	7,232	8,660	9,804
Sale to Baker Group	511	703	950

ANNUAL CAPS OF THE SALE AND PURCHASES OF THE PRODUCTS

The proposed purchase caps and the sale caps of the continuing connected transactions for the period from 21 November 2015 to 31 December 2015 and each of the two years ending 31 December 2016 and 2017 of the Group are set out below:

	For the period from 21 November 2015 to 31 December 2015 HK\$'000	For the financial year ended 31 December 2016 HK\$'000	For the financial year ended 31 December 2017 HK\$'000
Purchases from Baker Group	1,500	15,700	18,840
Sale to Baker Group	143	1,600	2,160

The Annual Cap is based on various considerations, including but not limited to (i) the historical purchases of the Products by the Parties from other suppliers; (ii) the anticipated increase in the purchases by the Parties; and (iii) the purchase amount of similar products by other entities of the Group with similar scale of operation.

If the transactions contemplated under the Master Supply Agreement for any of the above years exceed the relevant Annual Cap, the Parties will comply with the relevant requirements stipulated under Chapter 14A of the Listing Rules.

LISTING RULES IMPLICATIONS

Baker and ACT Foods are non-wholly owned subsidiaries of the Company and are connected persons of the Company as the associate of a director of the Company holds 40% of the issued share capital of Baker at the commencement date of the Master Supply Agreement. The transactions contemplated under the Master Supply Agreement therefore constitute continuing connected transactions (as such term is defined under the Listing Rules) for the Company.

Based on the Annual Cap, the applicable percentage ratios will be on an annual basis less than 5%. Accordingly, the transactions contemplated under the Master Supply Agreement will be subject to the reporting and announcement but are exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

GENERAL INFORMATION RELATING TO THE COMPANY AND BAKER

The Group is principally involved in the restaurant and bakery operations, provision of food catering services, production, sale and distribution of food products related to restaurant operations and poultry farm operations.

Baker is indirectly owned as to 60% by the Company and 40% by the associate of the director of the Company at the commencement date of the Master Supply Agreement. Baker is an investment holding company with its wholly-owned subsidiary operating bakery factory and bakery shops in Mainland China.

DEFINITIONS USED IN THIS ANNOUNCEMENT

Unless the context requires otherwise, the capitalised terms used in this announcement shall have the following meanings:

“ACT Foods”	means ACT Foods (Shenzhen) Company Limited, a wholly owned subsidiary of Baker whose 60% shareholdings held by the Company indirectly and the remaining 40% held by the associate of the director of the Company. Hence, ACT Foods is a connected person of the Company;
“Annual Cap”	means the anticipated aggregate annual value of the proposed transactions contemplated under the Master Supply Agreement for the period from the commencement date of the Master Supply Agreement to 31 December 2015 and for each of the two years ending 31 December 2017;
“associate”	has the meaning ascribed to it by the Listing Rules;
“Baker”	means Baker Limited, a company incorporated in Hong Kong with limited liability;
“Baker Group”	means Baker and its subsidiary;

“Board”	means the board of Directors;
“China or PRC”	means the People’s Republic of China, excluding Hong Kong, the Macau Special Administrative Region and Taiwan;
“Company”	means Tao Heung Holdings Limited 稻香控股有限公司*, a company incorporated in the Cayman Islands with limited liability and whose Shares are listed on the Main Board;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Directors”	means the directors of the Company;
“Group”	means the Company and its subsidiaries;
“Hong Kong”	means The Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	means The Rules Governing the Listing of Securities on the Stock Exchange;
“Main Board”	means the main board of the Stock Exchange;
“Master Supply Agreement”	means the master supply agreement dated 20 November 2015 entered into between the Company and Baker for the supply of the Products;
“percentage ratios”	refers to the percentage ratios under rule 14.07 of the Listing Rules;
“Products”	mean the products supplied or procured to be supplied by and from the Company and Baker Group for their daily consumption in the course of their respective businesses. The Products shall include, but without limitation to, fresh food, semi-processed food, food ingredients, utensils, packaging materials, printing materials, uniform and such other materials as agreed between the parties to the Master Supply Agreement from time to time;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;

“HK\$”

means Hong Kong dollars, the lawful currency of Hong Kong.

By order of the Board
Tao Heung Holdings Limited
CHUNG Wai Ping
Chairman

Hong Kong, 20 November 2015

As at the date of this announcement, the board of the Directors comprised nine Directors, of which four are executive Directors, namely Mr. CHUNG Wai Ping, Mr. WONG Ka Wing, Mr. LEUNG Yiu Chun and Mr. HO Yuen Wah; two are non-executive Directors, namely Mr. FONG Siu Kwong and Mr. CHAN Yue Kwong, Michael and three are independent non-executive Directors namely Professor CHAN Chi Fai, Andrew, Mr. MAK Hing Keung, Thomas and Mr. NG Yat Cheung.

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