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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)

CONNECTED TRANSACTION

On 5 June 2024, the Company, as Tenant, and Dongguan Tin Yao, as Landlord, entered into a new Master Tenancy Agreement in respect of the Renewal Premises for a further term of two years commencing on 6 June 2024 and expiring on 5 June 2026 (both days inclusive).

As at the date of this announcement, 35.15% of the issue shares of the Landlord is held by Mr Chung Chun Fung, who is also a Director of the Tenant of which 43.176% of the issued share capital is held by Billion Era International Limited which is wholly owned by Tin Tao Investment Limited (“**Tin Tao**”) which is in turn wholly owned by Sapphire Skye Holdings Limited (“**Sapphire**”). Sapphire is holding the shares in Tin Tao as nominee for Zedra Trust Company (Singapore) Limited (“**Zedra Trust**”) which is trustee for a discretionary trust, the discretionary objects of which include Mr Chung Wai Ping and certain members of his family and Mr Chung Chun Fung is one of the sons of Mr Chung Wai Ping who, for the purpose of the Securities and Future Ordinance, is the settlor of the discretionary trust. Hence, Dongguan Tin Yao is a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules, and the tenancy as contemplated under the 2024 Master Tenancy Agreement constitute connected transaction for the Company under Chapter 14A of the Listing Rules.

In accordance with HKFRS 16 “Leases”, the Group is required to recognize the value of the right-of-use asset in connection with the 2024 Master Tenancy Agreement and this transaction will be regarded as an acquisition of an asset by the Group pursuant to the Listing Rules. The estimated value of the right-of-use asset to be recognized by the Group under the 2024 Master Tenancy Agreement by reference to the projected Turnover Rent payable is approximately HK\$27,553,000. Shareholders should note that the above figure is unaudited and may be subject to adjustment in the future.

* For identification purposes only

As the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the estimated value of the right-of-use asset to be recognized by the Group under the 2024 Master Tenancy Agreement are more than 0.1% but less than 5%, the entering into of the 2024 Master Tenancy Agreement is subject to the reporting and announcement requirements but exempt from the circular (including independent financial advice) and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Background

The Company announced previously on 5 June 2022 regarding the 2022 Master Tenancy Agreement entered into between the Company as the tenant (“**the Tenant**”) and Dongguan Tin Yao as the landlord (“**the Landlord**”), in respect of the Premises for a term of two years commencing on 6 June 2022 and expiring on 5 June 2024 (both days inclusive). The Company and Dongguan Tin Yao have agreed to renew the 2022 Master Tenancy Agreement in respect of part of the Premises and entered into the 2024 Master Tenancy Agreement for a further term of two years from 6 June 2024 to 5 June 2026 (both days inclusive) in respect of the Renewal Premises. Part of the Premises under the 2022 Master Tenancy Agreement known as 東莞市橫瀝鎮石涌村西城三區創宏宿舍A棟及B棟 will not be included in the 2024 Master Tenancy Agreement due to the Company's operation unit moved to 東莞市橫瀝鎮石涌村西城三區創宏廠房1棟.

2024 Master Tenancy Agreement

Date: 5 June 2024

Landlord: Dongguan Tian Yao Property Management Limited

Tenant: Tao Heung Holdings Limited

Renewal Premises: portion of the area of and in 東莞市橫瀝鎮石涌村西城三區創宏廠房1棟

Term: Two years commencing on 6 June 2024 and expiring on 5 June 2026 (both days inclusive).

- Rental: Basic Rent of RMB35 per square meter per month for total area of or exceeding 1,000 square meter under one tenancy agreement and RMB60 per square meter per month for total area less than 1,000 square meter under one tenancy agreement OR turnover rent at the rate of 8% of the gross receipt (“**Gross Receipt**”) per month of business and/or operation carrying on at the Renewal Premises of the tenancy agreement for the restaurant operations and supermarket operations before tax, whichever is higher and turnover rent at the rate of 4% of the Gross Receipt per month of business and/or operation carrying on at the Renewal Premises of the tenancy agreement for the operation of the peripheral business other than associated with restaurant operations and supermarket operations before tax, whichever is higher. Rental payable is exclusive of management fee and government rates or land tax. Reference of the Rental value of the Premises was made to the Rental Valuation Report.
- Car parking space: No additional rent is payable
- Management fee: RMB181,116 per month (RMB18 per square meter per month)
- Manner of payment: Basic Rent or the Turnover Rent of the month which is the higher shall be paid together with management fee not later than 10th day of the following month.
- Deposit: A deposit in the sum of RMB3,291,348 (equivalent to the aggregate of the rent and management fee currently payable in respect of the Renewal Premises for three months and subject to review by the Landlord when there is any increase in the aforesaid charges during the lease term) is payable by the Tenant to the Landlord and subject to the terms of the 2024 Master Tenancy Agreement, and is refundable to the Tenant without interest within two months after the expiration or sooner determination of the 2024 Master Tenancy Agreement.

Historical Rentals

The historical rental under the 2022 Master Tenancy Agreement, excluding management fee, government rates and land tax, for each of the financial years of the Company ended 31 December 2022, 31 December 2023, and for the period between 1 January 2024 and 5 June 2024 were approximately HK\$6,680,000, HK\$11,513,000 and HK\$4,700,000 respectively.

Reasons for and Benefits of Entering into the 2024 Master Tenancy Agreement

The 2024 Master Tenancy Agreement was entered into between Dongguan Tin Yao and the Company after arm's length negotiations with reference to the market rental of the Renewal Premises endorsed by a Valuation Certificate dated 27 May 2024 by the Valuer (the "**Rental Valuation Report**"). The Directors believe that the Renewal Premises is one of a kind locate next to our Food and Processing logistic centre in Dongguan. The Renewal Premises have been designated "National AAA level tourist attraction" by the Chinese Government. The location and transportation access is of great convenience to our customers and can further strengthen the branding and presence of the Group. Therefore, the Company considers it beneficial to enter into the 2024 Master Tenancy Agreement.

The Directors, including the independent non-executive Directors consider that the 2024 Master Tenancy Agreement has been entered into in the ordinary and usual course of business of the Company, on normal commercial terms which are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Principal business activities of the Company and Dongguan Tin Yao

The principal business activity of the Company is investment holding of operation of restaurants and food and processing logistic centre in Hong Kong and Mainland China through its subsidiaries.

Dongguan Tin Yao is principally engaged in property investment in Mainland China.

Details of the connected relationship and implications under the Listing Rules

As at the date of this announcement, 35.15% of the issue shares of the Landlord is held by Mr Chung Chun Fung, who is also a Director of the Tenant of which 43.176% of the issued share capital is held by Billion Era International Limited which is wholly owned by Tin Tao Investment Limited ("**Tin Tao**") which is in turn wholly owned by Sapphire Skye Holdings Limited ("**Sapphire**"). Sapphire is holding the shares in Tin Tao as nominee for Zedra Trust Company (Singapore) Limited ("**Zedra Trust**") which is a trustee for a discretionary trust, the discretionary objects of which include Mr Chung Wai Ping and certain members of his family and Mr Chung Chun Fung is one of the sons of Mr Chung Wai Ping who, for the purpose of the Securities and Future Ordinance, is the settlor of the discretionary trust. Hence, Dongguan Tin Yao is a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules, and the tenancy as contemplated under the 2024 Master Tenancy Agreement constitute connected transaction for the Company under Chapter 14A of the Listing Rules.

In accordance with HKFRS 16 "Leases", the Group is required to recognize the value of the right-of-use asset in connection with the 2024 Master Tenancy Agreement and this transaction will be regarded as an acquisition of an asset by the Group pursuant to the Listing Rules. The estimated value of the right-of-use asset to be recognized by the Group

under the 2024 Master Tenancy Agreement by reference to the projected Turnover Rent payable is approximately HK\$27,553,000. Shareholders should note that the above figure is unaudited and may be subject to adjustment in the future.

As the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the estimated value of the right-of-use asset to be recognized by the Group under the 2024 Master Tenancy Agreement are more than 0.1% but less than 5%, the entering into of the 2024 Master Tenancy Agreement is subject to the reporting and announcement requirements but exempt from the circular (including independent financial advice) and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Definitions

“Board”	the board of Directors;
“Company”	Tao Heung Holdings Limited, a company incorporated in Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange;
“connected person”	has the meaning ascribed thereto under the Listing Rules;
“Directors”	the directors of the Company;
“2022 Master Tenancy Agreement”	Master Tenancy Agreement dated 5 June 2022 entered into between the Company and Dongguan Tin Yao in respect of the Premises;
“Gross Receipt”	the total amount of all sums received in the course of the business conducted at the Renewal Premises;
“Group”	the Company and its subsidiaries;
“Dongguan Tian Yao”	Dongguan Tian Yao Property Management Limited, a company incorporated in Mainland China with limited liability, which is partially-owned (holding 35.15% of the issue shares) by Mr Chung Chun Fung;
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants;
“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;

“Mainland China”	The People’s Republic of China (excluding Hong Kong and Macau Special Administrative Region);
“Mr Chung Chun Fung”	Mr Chung Chun Fung, an Executive Director of the Company;
“2024 Master Tenancy Agreement”	Master Tenancy Agreement dated 5 June 2024 entered into between the Company and Dongguan Tin Yao in respect of the Renewal Premises;
“percentage ratios”	the percentage ratios under rule 14.07 of the Listing Rules;
“Rental Valuation Report”	has the meaning as defined under the section headed “Reason for and Benefits of Entering into the 2024 Master Tenancy Agreement” in this announcement;
“Premises”	The leased Premises comprised portion of the area of and in 東莞市橫瀝鎮石涌村西城三區創宏廠房1棟, 東莞市橫瀝鎮石涌村西城三區創宏宿舍A棟 and 東莞市橫瀝鎮石涌村西城三區創宏宿舍B棟 under the 2022 Master Tenancy Agreement;
“Renewal Premises”	the leased premises under the 2024 Master Tenancy Agreement and known as portion of the area of and in 東莞市橫瀝鎮石涌村西城三區創宏廠房1棟;
“Valuer”	Colliers International (Hong Kong) Limited, an independent property valuer engaged by the Company;
“Shareholder(s)”	holder(s) of the shares of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Turnover Rent”	the amount payable as rent of the Renewal Premises calculated at the rate of 8% of the Gross Receipt for the month before tax for tenancy agreement(s) of the Renewal Premises for restaurant operation and supermarket operation and at the rate of 4% of the Gross Receipt for the month before tax for tenancy agreement(s) of the Renewal Premises for peripheral businesses other than restaurant operation and supermarket operation;

“HK\$” Hong Kong dollars, the lawful currency of Hong Kong; and
“RMB” The lawful currency of Mainland China.

By Order of the Board
Cheung Kin Man
Company Secretary

Hong Kong, 5 June 2024

As at the date of this announcement, the board of directors of the Company comprised 10 directors, of which four are executive directors, namely Mr. Chung Wai Ping, Mr. Wong Ka Wing, Mr. Ho Yuen Wah and Mr. Chung Chun Fung; two are non-executive directors, namely Mr. Fong Siu Kwong and Mr. Chan Yue Kwong, Michael and four are independent non-executive directors namely Professor Chan Chi Fai, Andrew, Mr. Mak Hing Keung, Thomas, Mr. Ng Yat Cheung and Ms. Wong Fun Ching.

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