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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

ACQUISITION OF 20% OF THE ISSUED SHARE CAPITAL OF SKYBEST INTERNATIONAL INVESTMENT ENTERPRISE LIMITED

On 31 January 2011, Skymart, a wholly-owned subsidiary of the Company, entered into an Agreement with Birgitta pursuant to which Skymart agreed to acquire and Birgitta agreed to sell, the Sale Shares at a consideration of HK\$390,806 subject to adjustment as therein provided and subject to the successful negotiation and signing of a binding renewal licence agreement of the Skyplaza Shop (as herein defined) by Skybest, an additional consideration of HK\$1,143,668 subject to adjustment as therein provided.

Skybest is a non-wholly owned subsidiary of the Company and Birgitta is a connected person of the Company as Birgitta, currently holds 20% of the issued share capital of Skybest, is a fellow subsidiary of Perfect Plan International Limited, a Substantial Shareholder of the Company. The transaction contemplated under the Agreement constitutes a connected transaction for the Company as stipulated under the Listing Rules.

Given that the Consideration exceeds 0.1% but is less than 5% for each of the applicable percentage ratios pursuant to Rule 14A.32(1) of the Listing Rules, the Transaction constitutes a connected transaction exempt from the independent shareholders' approval, but is subject to the reporting and announcement requirements as set out in Rules 14A.45 to 14A.47 of the Listing Rules.

The Board announces that Skymart, a wholly-owned subsidiary of the Company had on 31 January 2011 entered into an Agreement with Birgitta pursuant to which Skymart agreed to acquire and Birgitta agreed to sell, the Sale Shares at a consideration of HK\$390,806, subject to adjustment as therein provided and subject to the successful negotiation and signing of a binding renewal licence agreement of the Skyplaza Shop (as herein defined) by Skybest an additional consideration of HK\$1,143,668, subject to adjustment as therein provided.

* *For identification purpose only*

Detail of the Agreement are set out below:

AGREEMENT

Date: 31 January 2011

Parties: Purchaser: Skymart

Vendor: Birgitta

Subject Matter: 2,000 Shares registered in the name of the Vendor to be sold and purchased pursuant to this Agreement representing 20% of the entire issued and paid up share capital of Skybest

Consideration: The consideration shall be payable in cash in the following manner:

- (a) a sum of HK\$390,806 payable upon the Completion (as defined hereafter) as Consideration; and
- (b) subject to the successful negotiation and signing of a binding renewal license agreement of the Skyplaza Shop by Skybest, a sum of HK\$1,143,668, subject to the following adjustment or the amount which equals to the Y2010 Initial Net Profit times the fix renewed term, whichever is higher, as the Additional Consideration is payable within 14 days upon the signing of a binding renewal license agreement in respect of the Skyplaza Shop.

The Consideration payable under (a) is subject to the following adjustments after delivery of possession of the Maritime Shop to the landlord upon the expiration or sooner determination of the Maritime Tenancy Agreement:-

- (i) 20% of the amount by which the Y2010_Initial Net Profit as determined by the Completion Account is less than the amount of the profit after tax of the Company from 1 December 2010 to 30 November 2011 as audited by the auditor of the Company or as reconciled from the audited financial statements for the year ending 31 December 2011 shall be added to the Consideration

The Consideration payable under (b) is subject to the following adjustments after successful renewal of Skyplaza License Agreement:-

- (i) 20% of the amount by which the present monthly MGR payable under the Skyplaza License Agreement less than the monthly MGR payable under the fix renewed term of the renewed license agreement of the Skyplaza Shop for the whole renewed term (excluding any option to renew) shall be deducted; and
- (ii) 20% of the total amount of annual depreciation for each year of the fix renewed term of the renewed Skyplaza License Agreement resulting from additional capital expenditure spent for shop renovation upon successful renewal of Skyplaza License Agreement shall be deducted.

Completion: Completion shall take place on 31 January 2011 or on such other date as the parties shall agreed in writing whereby procedures of share transfer pursuant to the Agreement shall be completed (the “**Completion**”).

The consideration was determined after arm’s length negotiation between Purchaser and Vendor based on normal commercial terms with reference to the existing operating result of Skybest.

INFORMATION ON SKYBEST

Skybest, a company incorporated on 3 November 2003 in Hong Kong with limited liability, is principally engaged in restaurant operations and provision of food catering services. It currently operates the Maritime Restaurant at the Maritime Shop and the Skyplaza Restaurant at the Skyplaza Shop. Before completion of the acquisition, Skybest is owned as to 80% by Skymart and 20% by Birgitta. Immediately after the completion of the acquisition, Skybest will become an indirect wholly-owned subsidiary of the Company.

The financial highlights of Skybest are set out below:-

	For the year ended 31 December 2008 (Audited) <i>HK\$</i>	For the year ended 31 December 2009 (Audited) <i>HK\$</i>	For the 11 months ended 30 November 2010 (Unaudited) <i>HK\$</i>
Net assets	2,307,083	2,822,825	5,558,576
Profit before tax	4,293,391	532,944	2,735,751
Profit after tax	3,612,637	438,798	2,179,754

INFORMATION OF THE GROUP

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

INFORMATION OF THE VENDOR

Birgitta, a company incorporated in Hong Kong with limited liability, is principally engaged in investment holding. Its ultimate holding company is Café de Coral.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The principal activities of the Group are the restaurant operations, provision of food catering services, production, sale and distribution of food products and operating item related to restaurant operations. The acquisition would be beneficial to the Group as the Group could further share the profit generated by Skybest.

The Transaction will not have material effect on the assets and liabilities of the Group as the Group currently intends to fund the Transaction by its internal cash flows.

The Directors are of the view that the terms of the Transaction are on normal commercial terms and are fair and reasonable to the Company and in the interests of the Company and to its shareholders as a whole.

LISTING RULES IMPLICATIONS

Skybest is a non-wholly owned subsidiary of the Company and Birgitta is a connected person of the Company as Birgitta, currently holds 20% of the issued share capital of Skybest, is a fellow subsidiary of Perfect Plan International Limited, a Substantial Shareholder of the Company. The transaction contemplated under the Agreement constitutes a connected transaction for the Company as stipulated under the Listing Rules.

Given that the Consideration exceeds 0.1% but is less than 5% for each of the applicable percentage ratios pursuant to Rule 14A.32(1) of the Listing Rules, the Transaction constitutes a connected transaction exempt from the independent shareholders' approval, but is subject to the reporting and announcement requirements as set out in Rules 14A.45 to 14A.47 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise defines, the following terms have the following meanings:

“Agreement” the agreement entered into on 31 January 2011 between Skymart as Purchaser and Birgitta as Vendor in relation to the sale and purchase of the Sale Shares

“Birgitta”/“Vendor”	Birgitta Limited, a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of Café de Coral Holdings Limited, whose shares are listed on the main board of the Stock Exchange
“Board”	the board of Directors of the Company
“Café de Coral”	Café de Coral Holdings Limited, whose shares are listed on the main board of the Stock Exchange and the ultimate holding company of Perfect Plan International Limited, a Substantial Shareholder (as such term is defined under the Listing Rules) of the Company
“Company”	Tao Heung Holdings Limited, a company incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange
“Completion Account”	a management account of the Company for the 12-month from 1 December 2009 showing the profits and loss of the Company for the said period for the purpose of determination of the 2010 Initial Net Profit
“Completion Date”	31 January 2011 or such other date as the parties may agree in writing on which Completion is to take place
“Consideration”	HK\$390,806 payable in cash subject to adjustment aforesaid and Additional Consideration aforesaid
“Cut-off Date”	30 November 2010 or such other date as agreed by both parties but in any event no later than 31 January 2011
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK_GAAP”	at any time, the accounting principal generally accepted in Hong Kong at such time
“HK\$”	Hong Kong dollars, the lawful currency in Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maritime Restaurant”	the restaurant under the style or firm name of Chao Inn operating at Maritime Shop

“Maritime Shop”	Shop No. 210 on Level 2 of Maritime Square, Tsing Yi, New Territories, Hong Kong
“Maritime Tenancy Agreement”	the Tenancy Agreement of Maritime Shop
“MGR”	the minimum guarantee royalty of the monthly license fee of the Skyplaza Shop payable under the Skyplaza License Agreement
“Sale Shares”	2,000 Shares registered in the name of the Vendor to be sold and purchased pursuant to the Agreement representing 20% of the entire issued and paid up share capital of Skybest
“Shares”	the issued and paid up shares of HK\$1.00 in the share capital of Skybest
“Skybest”	Skybest International Investment Enterprise Limited, a company incorporated in Hong Kong with a limited liability, and a non-wholly owned subsidiary of the Company via Skymart holding 80% of its issued capital with the remaining 20% currently held by Birgitta
“Skyplaza License Agreement”	the Agreement for Commercial Catering Concession of the Skyplaza Shop Contract No. SP05/023
“Skyplaza Restaurant”	the restaurant under the style or firm name of Chao Inn operating at Skyplaza Shop
“Skyplaza Shop”	Unit No. 6P075 (which was subsequently renamed as Unit No. 6P033) on Level 6 of the Passenger Terminal 2 (known as Skyplaza) of the Hong Kong International Airport at Chek Lap Kok
“Skymart”/”Purchaser”	Skymart Limited, a company incorporated in Hong Kong with a limited liability, and a wholly subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder”	the Substantial Shareholder (as such term is defined under the Listing Rules) of the Company
“Transaction”	the acquisition of 20% of the issued share capital of Skybest by the Purchaser from the Vendor pursuant to the Agreement

“Y2010 Initial Net Profit”

the net profit after tax attributable to shareholders of the Company for the 12-month from 1 December 2009 to the Cut-off Date determined in accordance with the provisions of **Clause 4.2** of the Agreement and **Y2010 Initial Net Profit_Maritime** means the portion of the Y2010 Initial Net Profit attributable to the business of the Maritime Restaurant and **Y2010 Initial Net Profit_Skyplaza** means the portion of the Y2010 Initial Net Profit attributable to the business of the Skyplaza Restaurant

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

Hong Kong, 31 January 2011

As at the date of this announcement, the executive Directors are Mr. CHUNG Wai Ping, Mr. WONG Ka Wing, Mr. CHUNG Ming Fat, Mr. LEUNG Yiu Chun, Ms. WONG Fun Ching and Mr. HO Yuen Wah, the non-executive Directors are Mr. FONG Siu Kwong and Mr. CHAN Yue Kwong, Michael and the independent non-executive Directors are Mr. LI Tze Leung, Professor CHAN Chi Fai, Andrew, Mr. MAK Hing Keung, Thomas and Mr. NG Yat Cheung.