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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)

DISCLOSEABLE ACQUISITION

On 30 December 2010, Wan Hao, a wholly-owned subsidiary of the Company, as the purchaser, entered into definitive S&P Agreements with Mr. YJ Ye and Mr. ZX Ye, pursuant to which Wan Hao agreed to acquire 70% equity interests in each of Baixing and Rongli from Mr. YJ Ye and Mr. ZX Ye and Yisheng from Mr. ZX Ye for a total consideration of RMB38 million (equivalent to approximately HK\$44.39 million). Upon completion of the Acquisitions, Baixing, Rongli and Yisheng will become indirect non wholly-owned subsidiaries of the Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the vendors is a third party independent of the Group and is not a connected person (as defined in the Listing Rules) of the Group.

As each of the percentage ratios is 5% or more but less than 25%, the Acquisitions, on an aggregated basis, constitute a discloseable transaction of the Company under Rule 14.06(2) of the Listing Rules and is subject to the reporting and announcement requirements under Rule 14.34 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 30 December 2010, Wan Hao, a wholly-owned subsidiary of the Company, as the purchaser, entered into the S&P Agreements with Mr. YJ Ye and Mr. ZX Ye, pursuant to which Wan Hao agreed to acquire, and Mr. YJ Ye and Mr. ZX Ye agreed to sell, the 70% equity interests in each of Baixing and Rongli and Mr. ZX Ye agreed to sell the 70% equity interests in Yisheng for a total consideration of RMB38 million (equivalent to approximately HK\$44.39 million). Upon completion of the Acquisitions, Baixing, Rongli and Yisheng will become indirect non wholly-owned subsidiaries of the Company.

* For identification purpose only

S&P AGREEMENTS

A. Key specific terms of each of the S&P Agreements

1. *Baixing Agreement*

Date:	30 December 2010
Parties:	Purchaser: Wan Hao
	Vendors: Mr. YJ Ye and Mr. ZX Ye
	Confirmatory party: Baixing
Asset to be acquired:	A total of 70% equity interests in Baixing, of which 30% from Mr. YJ Ye and 40% from Mr. ZX Ye, respectively
Consideration:	RMB30 million (equivalent to approximately HK\$35.05 million)
Settlement of consideration:	By cash payable in four installments as follows: <ul style="list-style-type: none">➤ RMB3 million (equivalent to approximately HK\$3.51 million) payable upon signing of the Baixing Agreement;➤ RMB4.5 million (equivalent to approximately HK\$5.26 million) payable within 7 days after obtaining the acknowledgement slip from relevant regulatory authorities in relation to the submission of all the requested documents regarding the transfer of the target asset;➤ RMB15 million (equivalent to approximately HK\$17.52 million) payable on the Registration Date; and➤ RMB7.5 million (equivalent to approximately HK\$8.76 million) payable upon the provision of long-term shareholder's loan by Mr. YJ Ye to Baixing for the settlement of 30% of all long term debts of Baixing outstanding in the books of Baixing as at the date of signing of the Baixing Agreement.

Conditions precedent: The conditions precedent of the Baixing Agreement, amongst other things, include the following:

- (a) obtaining approval from the immediate holding company of Wan Hao in relation to the Baixing Agreement;
- (b) Mr. YJ Ye and Mr. ZX Ye providing written undertakings to Wan Hao that they will give up their first right to acquire the target asset;
- (c) signing of service agreement with Mr. YJ Ye;
- (d) the renewal of the tenancy agreements with (i) Guangzhou City Military District Agriculture and Sideline Base (廣州市軍區司令部農副業基地) in relation to the operation of the “Three Poultry” wholesale market (三鳥批發市場) (the “**TPW market**”); and (ii) the chicken retailers in relation to the poultry wholesale market (including but not limited to the TPW market);
- (e) signing of and undertaking to execute all the relevant undertakings, warranties and representations set forth in the Baixing Agreement; and
- (f) obtaining approvals (if any) from the relevant PRC approval authority and completing registration with AIC.

Board representation: The board of directors of Baixing shall comprise of three directors, two of whom shall be appointed by the Company and one of whom shall be appointed by Mr. YJ Ye.

2. *Rongli Agreement*

Date: 30 December 2010

Parties: Purchaser: Wan Hao

Vendors: Mr. YJ Ye and Mr. ZX Ye

Confirmatory party: Rongli

Asset to be acquired: A total of 70% equity interests in Rongli, of which 30% from Mr. YJ Ye and 40% from Mr. ZX Ye, respectively

Consideration: RMB4 million (equivalent to approximately HK\$4.67 million)

Settlement of consideration: By cash payable in four installments as follows:

- RMB0.4 million (equivalent to approximately HK\$0.47 million) payable upon signing of the Rongli Agreement;
- RMB0.6 million (equivalent to approximately HK\$0.7 million) payable within 7 days after obtaining the acknowledgement slip from relevant regulatory authorities in relation to the submission of all the requested documents regarding the transfer of the target asset;
- RMB2 million (equivalent to approximately HK\$2.33 million) payable on the Registration Date; and
- RMB1 million (equivalent to approximately HK\$1.17 million) payable upon the provision of long-term shareholder's loan by Mr. YJ Ye to Baixing for the settlement of 30% of all long term debts of Baixing outstanding in the books of Baixing as at the date of signing of the Baixing Agreement.

Conditions precedent: The conditions precedent of the Rongli Agreement, amongst other things, include the following:

- (a) obtaining approval from the immediate holding company of Wan Hao in relation to the Rongli Agreement;
- (b) Mr. YJ Ye and Mr. ZX Ye providing written undertakings to Wan Hao that they will give up their first right to acquire the target asset;
- (c) signing of service agreement with Mr. YJ Ye;
- (d) signing of and undertaking to execute of all the relevant undertakings, warranties and representations set forth in the Rongli Agreement; and
- (e) obtaining approvals (if any) from the relevant PRC approval authority and completing registration with AIC.

Board representation: The board of directors of Rongli shall comprise of three directors, two of whom shall be appointed by the Company and one of whom shall be appointed by Mr. YJ Ye.

3. *Yisheng Agreement*

Date: 30 December 2010

Parties:

Purchaser:	Wan Hao
Vendor:	Mr. ZX Ye
Confirmatory party:	Yisheng

Asset to be acquired: 70% equity interests in Yisheng, from Mr. ZX Ye

Consideration: RMB4 million (equivalent to approximately HK\$4.67 million)

Settlement of consideration: By cash payable in four installments as follows:

- RMB0.4 million (equivalent to approximately HK\$0.47 million) payable upon signing of the Yisheng Agreement;
- RMB0.6 million (equivalent to approximately HK\$0.7 million) payable within 7 days after obtaining the acknowledgement slip from relevant regulatory authorities in relation to the submission of all the requested documents regarding the transfer of the target asset;
- RMB2 million (equivalent to approximately HK\$2.33 million) payable on the Registration Date; and
- RMB1 million (equivalent to approximately HK\$1.17 million) payable upon the provision of long-term shareholder's loan by Mr. YJ Ye to Baixing for the settlement of 30% of all long term debts of Baixing outstanding in the books of Baixing as at the date of signing of the Baixing Agreement.

Conditions precedent: The conditions precedent of the Yisheng Agreement, amongst other things, include the following:

- (a) obtaining approval from the immediate holding company of Wan Hao in relation to the Yisheng Agreement;
- (b) Mr. ZX Ye providing written undertaking to Wan Hao that he will give up his first right to acquire the target asset;
- (c) signing of and undertaking to execute completion of all the relevant undertakings, warranties and representations set forth in the Yisheng Agreement; and
- (d) obtaining approvals (if any) from the relevant PRC approval authority and completing registration with AIC.

Board representation: The board of directors of Yisheng shall comprise of three directors, two of whom shall be appointed by the Company and one of whom shall be appointed by Mr. YJ Ye.

B. Key general terms that are the same under all of the S&P Agreements

Ranking: All shares shall rank pari passu in all respects with each other in each of the Target Companies.

Voting rights: From the Registration Date onwards, the voting rights of each of the shareholders in each of the Target Companies shall be in accordance with the respective equity interests of the shareholders in each of the respective Target Companies.

Completion: Five business days after fulfillment of the following or such other date agreed by the Company, Mr. YJ Ye and Mr. ZX Ye:

- (a) all the conditions precedent;
- (b) all parties to the respective S&P Agreements have fulfilled their respective responsibilities;
- (c) obtaining relevant business licenses issued by the AIC upon the completion of the relevant share transfer formalities;
- (d) completing the relevant registration formalities with the tax and other authorities; and
- (e) full settlement of the consideration.

BASES OF THE CONSIDERATION

The Consideration was determined after arm's length negotiation between the Company and the respective vendors with reference to (i) the audited net earnings of the Target Companies on an aggregated basis for the financial year ended 31 December 2009 having excluded the financial effect of the non-recurring audited adjustments (being a debit of approximately RMB3.37 million, equivalent to approximately HK\$3.94 million); (ii) the net asset value of the Target Companies on an aggregated basis as at 31 December 2009; and (iii) the potential benefits that will accrue to the Group after completion of the Acquisitions. The Group intends to fund the Acquisitions from its internal cash flows.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is one of the leading Chinese restaurant groups in Hong Kong and has expanded its operations into the PRC. Wan Hao, a wholly-owned subsidiary of the Company, operates one of the Group's main logistics centre in Dongguan (the "**Dongguan Centre**"). The Dongguan Centre is principally engaged in the production, sale and distribution of food products and operating items related to restaurant operations.

Given that the Dongguan Centre supplies different types of processed and semi-processed food products to support the restaurant operations of the Group, the Directors are of the view that the Acquisitions will (i) enable the Group to expand into the upstream part of the supply chain while at the same time benefiting from the profits of the Target Companies; (ii) provide a stable supply of chicken to meet the increasing demand for poultry products as a result of the Group's business expansion; and (iii) ensure high quality and safety standards of poultry products as these products are bred, fed and processed by the Group's subsidiaries. Besides, the Target Companies have also commenced the pig rearing business, which is expected to further complement the expansion of the Group's restaurant operations.

The Acquisitions will increase the net asset value of the Group. The Directors are of the view that the terms of the S&P Agreements 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.

INFORMATION OF THE TARGET COMPANIES

Baixing is a limited company established in the PRC on 21 October 1999, which is owned as to 60% by Mr. YJ Ye and as to 40% by Mr. ZX Ye. It is principally engaged in the chicken and pig rearing business and it operates a poultry wholesale market.

Rongli is a limited company established in the PRC on 10 May 2004, which is owned as to 60% by Mr. YJ Ye and as to 40% by Mr. ZX Ye. It is principally engaged in the provision of chicken slaughtering services.

Yisheng is a limited company established in the PRC on 5 January 1995, which is owned as to 30% by Mr. YJ Ye and as to 70% by Mr. ZX Ye. It is principally engaged in the chicken breeding business.

Financial information

According to the financial statements of each of the Target Companies, their respective net asset values as at 31 December 2009 are as follows:

As at 31 December 2009 (per audited accounts)

Baixing	RMB20,167,583 (equivalent to approximately HK\$23,560,261)
Rongli	RMB173,558 (equivalent to approximately HK\$202,755)
Yisheng	RMB961,184 (equivalent to approximately HK\$1,122,879)

The recorded audited net profit/loss before and after tax of each of the Target Companies for each of the two financial years ended 31 December 2009 are as follows:

	For the financial year ended 31 December 2009 (per audited accounts)	For the financial year ended 31 December 2008 (per management account)
Baixing		
Net profit/(loss) before tax	RMB4,684,793 (equivalent to approximately HK\$5,472,889)	RMB6,542,609 (equivalent to approximately HK\$7,643,235)
Net profit/(loss) after tax	RMB4,188,141 (equivalent to approximately HK\$4,892,688)	RMB5,654,013 (equivalent to approximately HK\$6,605,155)
Rongli		
Net profit/(loss) before tax	RMB(532,411) (equivalent to approximately HK\$(621,975))	RMB(1,799,298) (equivalent to approximately HK\$(2,101,984))
Net profit/(loss) after tax	RMB(555,307) (equivalent to approximately HK\$(648,723))	RMB(1,799,298) (equivalent to approximately HK\$(2,101,984))
Yisheng		
Net profit/(loss) before tax	RMB(189,036) (equivalent to approximately HK\$(220,836))	RMB(631,640) (equivalent to approximately HK\$(737,897))
Net profit/(loss) after tax	RMB(189,036) (equivalent to approximately HK\$(220,836))	RMB(631,640) (equivalent to approximately HK\$(737,897))

Upon completion of the S&P Agreements, each of Baixing, Rongli and Yisheng will become an indirect non wholly-owned subsidiary of the Company. The results of each of Baixing, Rongli and Yisheng will be consolidated into the Group's financial results.

INFORMATION OF THE VENDORS

Mr. YJ Ye has 60% equity interests in each of Baixing and Rongli and 30% equity interests in Yisheng, and Mr. ZX Ye has 40% equity interests in each of Baixing and Rongli and 70% equity interests in Yisheng. Mr. ZX Ye is the son of Mr. YJ Ye. To the best knowledge of the Directors and information and having made all reasonable enquiries, Mr. YJ Ye and Mr. ZX Ye are third parties independent of the Group and each of them is not a connected person (as defined in the Listing Rules) of the Group.

GENERAL

As each of the percentage ratios is 5% or more but less than 25%, the Acquisitions, on an aggregated basis, constitute a discloseable transaction of the Company under Rule 14.06(2) of the Listing Rules and is subject to the reporting and announcement requirements under Rule 14.34 of the Listing Rules.

DEFINITIONS

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

“Acquisitions”	the acquisitions of 70% equity interests in each of the Target Companies pursuant to the S&P Agreements;
“AIC”	the authorities for industry and commerce in the PRC (中國的工商管理管理局);
“Baixing”	廣州百興畜牧飼料有限公司 (Guangzhou Baixing Pasturage and Feed Co. Ltd.*), a limited company established in the PRC on 21 October 1999, which is owned as to 60% by Mr. YJ Ye and as to 40% by Mr. ZX Ye;
“Baixing Agreement”	the sale and purchase agreement dated 30 December 2010 entered into between Wan Hao and Mr. YJ Ye and Mr. ZX Ye in relation to the acquisition of 70% equity interests in Baixing;
“Board”	the board of Directors;
“Company”	Tao Heung Holdings Limited, a company incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange;
“Consideration”	the total consideration for the Acquisitions;
“Directors”	the directors of the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency in Hong Kong;
“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;

“Mr. YJ Ye”	葉永金先生 (Mr. Ye Yong-jin*);
“Mr. ZX Ye”	葉正欣先生 (Mr. Ye Zheng-xin*), son of Mr. YJ Ye;
“PRC”	The People’s Republic of China;
“Registration Date”	the respective date of issuance of the Business License of Enterprise Legal Person by the AIC upon completion of the formalities regarding the changes in registration under the PRC laws in relation to the transfer of the Target Assets pursuant to the respective S&P Agreements;
“RMB”	Renminbi, the lawful currency of the PRC;
“Rongli”	廣州市榮利家禽有限公司 (Guangzhou Rongli Poultry Co., Ltd.*), a company established in PRC on 10 May 2004, which is owned as to 60% by Mr. YJ Ye and as to 40% by Mr. ZX Ye;
“Rongli Agreement”	the sale and purchase agreement dated 30 December 2010 entered into between Wan Hao and Mr. YJ Ye and Mr. ZX Ye in relation to the acquisition of 70% equity interests in Rongli;
“S&P Agreements”	Baixing Agreement, Rongli Agreement and Yisheng Agreement;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Companies”	Baixing, Rongli and Yisheng;
“Target Assets”	the 70% equity interests in each of the Target Companies, which are to be acquired by Wan Hao from Mr. YJ Ye and Mr. ZX Ye;
“Wan Hao”	東莞萬好食品有限公司 (Dongguan Wan Hao Food Co., Ltd.*), a company established in PRC on 28 July 2004 and a wholly-owned subsidiary of the Company;
“Yisheng”	廣州市益生種禽有限公司 (Guangzhou Yisheng Poultry Co., Ltd.*), a company established in PRC on 5 January 1995, which is owned as to 30% by Mr. YJ Ye and as to 70% by Mr. ZX Ye; and

* For identification purpose only

“Yisheng Agreement”

the sale and purchase agreement dated 30 December 2010 entered into between Wan Hao and Mr. ZX Ye in relation to the acquisition of 70% equity interests in Yisheng.

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

Hong Kong, 30 December 2010

In this announcement, all amounts in RMB are converted into HK\$ at the exchange rate of RMB1.00:HK\$0.856. The conversion rate is for the purpose of illustration only and does not constitute a representation that any amounts have been, could have been, or may be exchanged at the aforementioned or any other rates.

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.