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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)

EXCEEDING OF 2016 ANNUAL CAP-SALE AND REVISION OF EXISTING 2017 ANNUAL CAP-SALE FOR CONTINUING CONNECTED TRANSACTIONS

This announcement is made pursuant to Rule 14A.54 of the Listing Rules.

Reference is made to the announcement of the Company dated 20 November 2015 in relation to the continuing connected transactions between the Group and Baker Group under the Master Supply Agreement.

It came to the attention of the Company that with respect to the aggregate amount of the continuing connected transactions for the year ended 31 December 2016, the aggregate amount of the sale transactions to Baker Group in 2016 amounted to HK\$4,275,000 exceeded the 2016 Annual Cap-Sale of HK\$1,600,000. In addition, the Board expects that the Existing 2017 Annual Cap-Sale will be exceeded. As such, the Group and Baker Group entered to a supplemental agreement to revise the annual cap of Sale to Baker Group on 21 April 2017 from HK\$2,160,000 to HK\$15,000,000 for the year ended 31 December 2017. Saved as disclosed above, all existing major terms and conditions under the Master Supply Agreement remain unchanged.

LISTING RULE IMPLICATIONS

As the sale transactions to Baker Group in 2016 exceeded the relevant annual cap pursuant to Rule 14A.54 of the Listing Rules, the Company is required to re-comply with the reporting and announcement requirements. As the highest of all of the applicable percentage ratios in respect of the aggregate amount of the continuing connected transactions for the year ended 31 December 2016 exceeded 0.1% but did not exceed 5%, the transactions are only subject to the reporting, annual review and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

In addition, as the highest of all of the applicable percentage ratios in respect of the Revised Annual Caps of 2017 for the transactions is more than 0.1% and less than 5%. Accordingly, the transactions contemplated under the Master Supply Agreement will be subject to the reporting and announcement requirements but are exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

BACKGROUND

This announcement is made pursuant to Rule 14A.54 of the Listing Rules.

Reference is made to the announcement of the Company dated 20 November 2015 in relation to the continuing connected transactions between the Group and Baker Group under the Master Supply Agreement.

On 20 November 2015, the Group and Baker Group entered into the Master Supply Agreement, pursuant to which, the Group will 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. The sums receivable or payable to the Group for supplying or procuring to supply the Products to and from Baker under the Master Supply Agreement shall be subject to the Annual Cap.

EXCEEDING OF 2016 ANNUAL CAP-SALE

During the year ended 31 December 2016, the Group had the following transactions with Baker Group:

	Transactions amount for the year ended 31 December 2016 <i>HK\$'000</i>	Annual Cap for the year ended 31 December 2016 <i>HK\$'000</i>
Purchase from Baker Group	5,081	15,700
Sale to Baker Group	4,275	1,600

It came to the attention of the Company that the sale transaction to Baker Group in 2016 amounted to HK\$4,275,000 which has exceeded the 2016 Annual Cap-Sale of HK\$1,600,000.

REASONS FOR EXCEEDING THE 2016 ANNUAL CAP-SALE

The sale transactions to Baker Group in 2016 has exceeded the relevant annual cap mainly due to the restructuring of the operation of Baker Group in the last quarter of 2016 which involved the closure of bakery factory of Baker Group and correspondingly shifted the supply of Products to the Group's food processing and logistics centre. This oversight was discovered after the close of the financial year when the Company was in the process of preparing the Group's consolidated financial statements for the year ended 31 December 2016.

MEASURES ADOPTED BY THE COMPANY FOR FUTURE COMPLIANCE

In order to avoid any occurrence of similar events in the future, the Company will strengthen the development of continuing connected transactions warning system, shorten the process of data collection and cross-check, further improve the supervision and management level of connected transactions and enhance training for Directors and senior management of the Group so that the Company can comply with the requirements under the Listing Rule in a timely manner.

REVISION OF THE ANNUAL CAPS

Due to the business restructuring of Baker Group, it is expected that the Products supplied by the Group's food processing and logistics centre to Baker Group under the Master Supply Agreement will possibly increase accordingly. For the two months ended 28 February 2017, the historical transaction amount of sums payable by Baker Group to the Group for the procurement of the Products was approximately HK\$1,780,000. As such, the Group and Baker Group entered into a supplemental agreement on 21 April 2017 to revise the Annual Cap as follows:

	Existing 2017 annual cap for the year ended 31 December 2017 HK\$'000	Revised 2017 annual cap for the year ended 31 December 2017 HK\$'000
Purchase from Baker Group	18,840	18,840
Sale to Baker Group	2,160	15,000

The aforementioned Revised Annual Caps are 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.

Saved as disclosed above, all existing major terms and conditions under the Master Supply Agreement remain unchanged.

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.

As the sale transactions to Baker Group in 2016 exceeded the 2016 Annual Cap pursuant to Rule 14A.54 of the Listing Rules, the Company is required to re-comply with the reporting and announcement requirements. As the highest of all of the applicable percentage ratios in respect of the aggregate amount of the continuing connected transactions for the year ended 31 December 2016 exceeded 0.1% but did not exceed 5% of the Listing Rules, the transactions are only subject to the reporting, annual review and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

In addition, as the highest of all of the applicable percentage ratios in respect of the Revised Annual Caps of 2017 for the transactions is more than 0.1% and 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, ACT Foods operating 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:–

“2016 Annual Cap-Sale” HK\$1,600,000, the annual cap of sale transactions to Baker Group under the Master Supply Agreement dated 20 November 2015;

“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 and for each of the financial years ending 31 December 2017 as disclosed in the announcement of the Company dated 20 November 2015;
“associates”	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;
“Existing 2017 Annual Cap-Sale”	HK\$2,160,000, the annual cap of sale transactions to Baker Group under the Master Supply Agreement dated 20 November 2015;
“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;
“Parties”	means the Company or its designated subsidiaries and Baker or ACT Foods;

“percentage ratios”	refers to the percentage ratios under rule 14.07 of the Listing Rules;
“Products”	means 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;
“Revised Annual Caps”	means the anticipated aggregate annual value of the proposed transactions contemplated under the Master Supply Agreement for the financial year ended 31 December 2017 as set out in the section headed “Revision of the Annual Caps” in this announcement;
“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, 21 April 2017

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.

* For identification purpose only