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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 TRANSACTION ACQUISITION OF PROPERTY

On 10 December 2009, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Provisional Agreement with the Vendor pursuant to which the Purchaser had conditionally agreed to acquire and the Vendor had conditionally agreed to sell the Lease for a cash Consideration of HK\$73,880,000.

As the assets ratio of the Acquisition exceeds 5% whilst all the other applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction of the Company as stipulated under Chapter 14 of the Listing Rules.

The Board announces that the Purchaser, a wholly-owned subsidiary of the Company, had on 10 December 2009 entered into the Provisional Agreement with the Vendor pursuant to which the Purchaser had conditionally agreed to acquire and the Vendor had conditionally agreed to sell the Lease for a cash Consideration of HK\$73,880,000.

On 10 December 2009, Tensel Investment Limited (the “**Guarantor**”), a wholly-owned subsidiary of the Company, had also executed a deed of guarantee in favour of the Vendor to guarantee to the Vendor the due and punctual payment and performance of the Company under the Provisional Agreement, the Formal Agreement and the subsequent assignment.

* *For identification purpose only*

Details of the Provisional Agreement are set out below:

PROVISIONAL AGREEMENT

Date: 10 December 2009

Parties: Purchaser: Skyland

Vendor: Chen Hsong

Asset to be acquired: the Lease

Consideration: HK\$73,880,000, which shall be payable in cash in the following manner:

- (a) an initial refundable deposit of HK\$4,400,000 (the “**Initial Deposit**”) payable to the Vendor’s solicitors as stakeholders upon signing of the Provisional Agreement;
- (b) a further refundable deposit of HK\$2,988,000 (the “**Further Deposit**”) payable to the Vendor’s solicitors as stakeholders on or before 18 December 2009;
- (c) a sum of HK\$66,492,000 as the balance of the Consideration payable upon Completion.

The Initial Deposit and the Further Deposit shall only be released to the Vendor upon receipt by the Purchaser from the Vendor:

- (i) a written refusal/rejection from the Corporation of the offer of the Vendor to surrender the Lease to the Corporation and a written approval from the Corporation of the assignment of the Lease by the Vendor to the Purchaser; and
- (ii) a written confirmation/acceptance from the Corporation of the Purchaser’s application for change of use of the Property.

Administrative fees: All the administrative fees (the “**Administrative Fees**”) required by the Corporation for giving consent to/approval of the assignment of the Lease directly from the Vendor to the Purchaser shall be borne and paid by the Purchaser solely.

(Note) Pursuant to the side letter to the Provisional Agreement entered into between the Vendor and the Purchaser dated 10 December 2009, the Administrative Fees shall be capped at HK\$14,128,395 and paid by the Purchaser to the Corporation upon Completion. Any amount in excess of the said sum of HK\$14,128,395 shall be borne and paid by the Vendor.

Conditions precedent: Completion shall be conditional upon the following:

- (a) the Purchaser’s receipt from the Vendor of a written refusal/rejection from the Corporation of the offer of the Vendor to surrender the Lease to the Corporation and a written approval from the Corporation of the assignment of the Lease by the Vendor to the Purchaser; and
- (b) the Purchaser’s written approval from the Corporation of the Purchaser’s application for change of use of the Property.

If any one of the above-mentioned conditions precedent is not fulfilled within three calendar months from the date of signing of the Provisional Agreement or if the Formal Agreement has been signed within three calendar months from the date of signing of the Formal Agreement, then:

- (i) either party shall have the right within seven business days after the last day for fulfilling the conditions precedent by notice in writing to the other party to extend the last day for fulfilling the conditions precedent to the 60th day from the original last day for fulfilling the conditions precedent; and

- (ii) if written notice of extension of the conditions precedent fulfillment date is not issued by either party or if written notice of extension of the conditions precedent fulfillment date is issued by either party but any one or more of the conditions precedent cannot be fulfilled at the expiration of the extended date for fulfilling the conditions precedent, the Provisional Agreement shall become null and void and of no effect, both the Initial Deposit and the Further Deposit and all other monies paid by the Purchaser to the Vendor shall be refunded to the Purchaser without costs, compensation and interest immediately within seven business days from the last date or (as the case may be) the extended last day for fulfilling the conditions precedent and thereafter neither party shall have any claim whatsoever against the other save and except for any antecedent breach of the Provisional Agreement and the Vendor and the Purchaser shall not be liable to pay any agency fee or other service charge to the Agent.

Completion: Within 60 days of notification of fulfillment of the conditions precedent as provided above.

Vacant possession: Upon Completion, the Vendor shall deliver vacant possession of the Property to the Purchaser.

The terms of the Provisional Agreement were agreed after arm's length negotiations between the Vendor and the Purchaser.

INFORMATION OF THE PROPERTY

The Property comprises two blocks of buildings and, according to the information provided by the Agent, has a gross floor area of approximately 150,000 square feet and a site area of approximately 83,565 square feet respectively.

INFORMATION OF THE VENDOR

The Vendor is a private limited company incorporated in Hong Kong on 29 December 1987 and is an indirect wholly-owned subsidiary of Chen Hsong Holdings Limited, the shares of which are listed on the Stock Exchange. The principal activity of the Vendor is the provision of logistics services.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Vendor and its ultimate beneficial owner are third parties independent of the Company or any of its subsidiaries or any of their respective directors, chief executives or substantial shareholders or any of their respective associates.

INFORMATION OF THE PURCHASER, THE GUARANTOR AND THE GROUP

Both of the Purchaser and the Guarantor are wholly-owned subsidiaries of the Company. 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.

REASONS FOR AND BENEFITS OF THE ACQUISITION

Currently, the Company's office is located at a leased property, while the Group's logistics centre is located at a separate location. After the Acquisition, the Group intends to refurbish the Property and relocates both of its office and logistics centre at the Property. The Group considers that such removal will help to (i) achieve future rental cost savings; (ii) enhance the Group's efficiency by centralising its workforce at the same location; (iii) enhance the production capacity of the logistics centre; and (iv) thus keep the production costs at a more competitive level. It is expected that the Group's future restaurant operation development in Hong Kong can be well complemented by the increased size of the logistics centre after moving into a larger premise.

The Acquisition will not have any material effect on the assets and liabilities of the Group as the Group currently intends to fund the Acquisition by its internal resources.

The Directors are of the view that the terms of the Acquisition 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.

GENERAL

As the assets ratio of the Acquisition exceeds 5% whilst all the other applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction of the Company as stipulated under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Acquisition”	acquisition of the Property
“Agent”	Sun Property Consultants Ltd.
“Board”	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
“Completion”	within 60 days of notification of fulfillment of the conditions precedent as provided above
“Consideration”	HK\$73,880,000 payable in cash
“Corporation”	Hong Kong Science and Technology Parks Corporation
“Directors”	directors of the Company
“Formal Agreement”	formal sale and purchase agreement to be entered into on or before 18 December 2009 between Skyland as the Purchaser and Chen Hsong as the Vendor in related to the Acquisition
“Group”	Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency in Hong Kong
“Lease”	lease of the Property dated 26 August 1992 entered into between the Corporation and the Vendor (including all variations, modifications and extensions of the Property)
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Provisional Agreement”	provisional sale and purchase agreement dated 10 December 2009 entered into between Skyland as the Purchaser and Chen Hsong as the Vendor in related to the Acquisition

“Property”	all those Subsection 5 of Section M of Tai Po Town Lot No. 1 and Section A of Tai Po Town Lot No. 13 & Extensions Thereto and the Remaining Portion of Further Extension to Tai Po Town Lot No. 13 & the Extension Area Thereto, together with the Buildings thereon, No. 18–20 Dai Fat Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong
“Purchaser”/ “Skyland”	Skyland Investment Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”/“Chen Hsong”	Chen Hsong Logistics Services Company Limited, formerly known as Chen Hsong Foundry Company Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of Chen Hsong Holdings Limited, the shares of which are listed on the Stock Exchange

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

Hong Kong, 10 December 2009

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.