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TAO HEUNG HOLDINGS LIMITED

稻香控股有限公司*

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 573)

CONTINUING CONNECTED TRANSACTION

On 5 June 2022, the Company, as tenant, and 東莞天耀, as landlord, entered into the Master Tenancy Agreement in respect of the Premises for a term of two (2) years commencing on 6 June 2022 and expiring on 5 June 2024 (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 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, 東莞天耀 is a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules, and the tenancy as contemplated under the Master Tenancy Agreement constitute continuing 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 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 Master Tenancy Agreement by reference to the projected Turnover Rent payable is approximately HK\$33,156,000. 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 Master Tenancy Agreement are more than 0.1% but less than 5%, the entering into of the 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.

* For identification purposes only

Master Tenancy Agreement

Date: 5 June 2022

Landlord: 東莞天耀物業管理有限公司

Tenant: Tao Heung Holdings Ltd

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, 東莞市橫瀝鎮石涌村西城三區創宏宿舍A棟 and 創宏宿舍B棟

Term: Two (2) years commencing on 6 June 2022 and expiring on 5 June 2024 (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 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 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 is made to the prevailing market rent for comparable premises in the vicinity.

Car parking space: RMB62,000 per month (RMB500 per car park per month)

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 the car parking space fee and management fee not later than 10th day of the following month.

Deposit: RMB3,291,348 representing three months' rental and management fee payable upon the signing of the individual Tenancy Agreement of each designated Premises by the Company

Reasons for and Benefits of Entering into the Master Tenancy Agreement

The Master Tenancy Agreement was entered into between 東莞天耀物業管理有限公司 and the Company after arm's length negotiations with reference to the prevailing market rent for comparable premises in the vicinity. The Directors believe that the Premises is one of a kind locate next to our Food and Processing logistic centre in Dongguan. The 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.

The Directors, including the independent non-executive Directors consider that the 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 東莞天耀

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.

東莞天耀 is principally engaged in property investment in Mainland China.

Details of the connected relationship and implications under the Listing Rules

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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 Master Tenancy Agreement are more than 0.1% but less than 5%, the entering into of the 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;
“Gross Receipt”	the total amount of all sums received in the course of the business conducted at the Premises;
“Group”	the Company and its subsidiaries;
“東莞天耀”	東莞天耀物業管理有限公司, 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);
“Master Tenancy Agreement”	Master Tenancy Agreement dated 5 June 2022 entered into between the Company and 東莞天耀 in respect of the Premises;
“Mr Chung Chun Fung”	Mr Chung Chun Fung, an Executive Director of the Company;

“percentage ratios”	the percentage ratios under rule 14.07 of the Listing Rules;
“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, 東莞市橫瀝鎮石涌村西城三區創宏宿舍A棟 and 創宏宿舍B棟;
“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 Premises calculated at the rate of 8% of the Gross Receipt for the month before tax for tenancy agreement(s) of the 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 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
Tsang Wing Ka
Company Secretary

Hong Kong, 5 June 2022

As at the date of this announcement, the board of directors of the Company comprised 9 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 three are independent non-executive directors namely Professor Chan Chi Fai, Andrew, Mr. Mak Hing Keung, Thomas and Mr. Ng Yat Cheung.

Website: www.taoheung.com.hk