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If you have sold or transferred all your shares in Tao Heung Holdings Limited (the “Company”), you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or the transferee or to the bank, licensed securities dealer, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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This circular is for information purposes only and does not constitute an invitation or offer, for securities of the Company.



TAO HEUNG HOLDINGS LIMITED

稻香控股有限公司*

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 573)

CONTINUING CONNECTED TRANSACTIONS SUPPLY OF PRODUCTS TO RESTAURANTS OPERATED BY NON-WHOLLY OWNED SUBSIDIARIES

Financial adviser to the Company



*Independent financial adviser to the Independent Board Committee and
the Independent Shareholders*



A letter from the Board (as defined herein) is set forth on pages 4 to 8 of this circular, and a letter from the Independent Board Committee (as defined herein) is set forth on pages 9 to 10 of this circular.

A letter from CIMB (as defined herein) setting out its advice to the Independent Board Committee (as defined herein) and the Independent Shareholders (as defined herein) is set forth on pages 11 to 14 of this circular.

A notice convening the EGM (as defined herein) to be held at No. 13 Au Pui Wan Street, Fo Tan, Shatin, New Territories, Hong Kong at 10:00 a.m. on 31 December 2007 is set forth on pages 21 to 22 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit it with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-6, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof (as the case may be) should you so wish.

* For identification purpose only

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	4
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	9
LETTER FROM CIMB	11
APPENDIX — GENERAL INFORMATION	15
NOTICE OF THE EGM	21

DEFINITIONS

In this circular, unless the context otherwise requires, the following terms shall have the following meanings:

“Annual Cap”	means the anticipated aggregate annual value of the transactions contemplated under the Master Supply Agreement for each of the financial years ending 31 December 2010;
“Board”	means the board of the Directors;
“Café de Coral”	means Café de Coral Holdings Limited, whose shares are listed on the Main Board and the ultimate holding company of Perfect Plan International Limited, a Substantial Shareholder;
“China or PRC”	means the People’s Republic of China, excluding Hong Kong, the Macau Special Administrative Region and Taiwan;
“CIMB”	refers to CIMB-GK Securities (HK) Limited, a corporation licensed to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) of the regulated activities under the SFO, acting as the independent financial adviser to the Independent Board Committee and the Independent Shareholders;
“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 under the Listing Rules;
“Continuing Connected Transactions”	means the continuing connected transactions in relation to the supply of Products to restaurants operated by the non-wholly owned subsidiaries of the Company;
“Directors”	means the directors of the Company;
“EGM”	means the extraordinary general meeting proposed to be convened by the Company for the purpose of approving the transactions contemplated under the Master Supply Agreement;
“Group”	means the Company and its subsidiaries;
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC;

* For identification purpose only

DEFINITIONS

“Independent Board Committee”	means a committee of the Board comprising all the independent non-executive Directors established for the purpose of considering and, if appropriate, making recommendation to the Independent Shareholders on the transactions contemplated under the Master Supply Agreement;
“Independent Shareholders”	means Shareholders who are not required to abstain from voting at the EGM in relation to the resolution for approving the transactions contemplated under the Master Supply Agreement;
“Latest Practicable Date”	6 December 2007, being the latest practicable date prior to the printing of the circular for ascertaining certain information in this circular;
“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 26 November 2007 entered into between the Company, Miracle Time and Skybest for the supply of the Products;
“Miracle Time”	means Miracle Time Enterprise Limited, a non-wholly owned subsidiary of the Company holding 80% of its issued share capital with the remaining 20% currently held by Café de Coral. Hence, Miracle Time is a connected person of the Company;
“percentage ratios”	refers to the percentage ratios under rule 14.07 of the Listing Rules;
“Pre-IPO Share Option Scheme”	the share option scheme adopted by the Company on 9 June 2007;
“Products”	means the products supplied or procured to be supplied by the Company to Miracle Time and/ or Skybest 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;

DEFINITIONS

“SFO”	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	means the ordinary share(s) of HK\$0.10 each in the share capital of the Company;
“Shareholder(s)”	means the holder(s) of the Shares;
“Skybest”	means Skybest International Investment Enterprise Limited, a non-wholly owned subsidiary of the Company holding 80% of its issued share capital with the remaining 20% currently held by Café de Coral. Hence, Skybest is a connected person of the Company;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“Substantial Shareholder”	means the substantial shareholder (as such term is defined under the Listing Rules) of the Company; and
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong.



TAO HEUNG HOLDINGS LIMITED

稻香控股有限公司*

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 573)

BOARD OF DIRECTORS

Executive Directors

Mr. CHUNG Wai Ping (*Chairman*)
Mr. WONG Ka Wing
Mr. CHUNG Ming Fat
Mr. LEUNG Yiu Chun (*Chief Executive Officer*)
Ms. WONG Fun Ching
Mr. HO Yuen Wah

Non-executive Directors

Mr. FONG Siu Kwong
Mr. CHAN Yue Kwong, Michael

Independent non-executive Directors

Mr. LI Tze Leung
Professor CHAN Chi Fai, Andrew
Mr. MAK Hing Keung, Thomas
Mr. NG Yat Cheung

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

**PRINCIPAL PLACE OF
BUSINESS IN HONG KONG**

No. 13 Au Pui Wan Street
Fo Tan, Shatin
New Territories
Hong Kong

10 December 2007

To the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
SUPPLY OF PRODUCTS TO RESTAURANTS OPERATED BY
NON-WHOLLY OWNED SUBSIDIARIES**

INTRODUCTION

Reference is made to the announcement of the Company dated 26 November 2007. On 26 November 2007, the Master Supply Agreement has been entered into whereby the Company has agreed, subject to the terms and conditions therein contained, to supply or procure to supply the Products to the restaurants operated by Miracle Time and Skybest at such prices based on the

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LETTER FROM THE BOARD

actual costs plus a mark-up of no more than 30%. Subject to the approval of the Independent Shareholders, the Master Supply Agreement will be effective from 1 January 2008 to 31 December 2010.

The purpose of this circular is to provide you with further details of the Master Supply Agreement, the recommendation of the Independent Board Committee, a letter from CIMB containing its advice to the Independent Board Committee and the Independent Shareholders together with a notice convening the EGM.

THE MASTER SUPPLY AGREEMENT

- Date:** 26 November 2007
- Parties:** Purchasers: Miracle Time and Skybest, both of which are connected persons of the Company
- Supplier: The Company or its designated subsidiaries
- Subject:** The Company will supply or procure to supply the Products to the restaurants operated by Miracle Time and Skybest.
- Purchase price:** Cost plus a mark-up of no more than 30% (*Note*) as determined after arm's length negotiation between the parties.
- Term:** Subject to the approval of the Independent Shareholders, the Master Supply Agreement will be effective from 1 January 2008 to 31 December 2010.

Note: Cost refers to the direct material cost of each type of the Products and the mark-up of no more than 30% is determined with reference to the staff costs, utilities and other overheads to be incurred by the food processing and logistics centres of the Group.

REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS

The Group had supplied the Products to the restaurants operated by Miracle Time and Skybest before March 2007 when the Company was still a private company, and the aggregate supplies amounted to approximately HK\$7 million, HK\$11 million and HK\$12 million, respectively, for the three financial years ended 31 December 2006 and approximately HK\$3 million for the two months ended 28 February 2007. However, with the investment of Café de Coral in the Company in March 2007 as a strategic investor and thus resulting in Miracle Time and Skybest becoming connected persons of the Company, and in order to minimise the level of connected transactions for the Company upon listing of the Shares on the Main Board in June 2007, Miracle Time and Skybest began to purchase the Products from independent third parties since March 2007.

Nevertheless, the Group's food processing and logistics centre in Dongguan, the PRC commenced commercial operation in September 2007 and has been working in collaboration with the Group's food processing and logistics centre in Fo Tan, Shatin, Hong Kong to coordinate and

LETTER FROM THE BOARD

perform certain procurement, food-processing, preservation, quality checking, packaging, warehousing and distribution functions for the Group's restaurants in Hong Kong and China. With these two food processing and logistics centres, the Group is able to streamline and centralise various procurement functions for the Group's restaurants which would be beneficial to implement quality control on the food and services provided by the restaurants of the Group. Hence, the Directors consider that the transactions contemplated under the Master Supply Agreement are fair and reasonable and are beneficial to the business development of the Group as a whole.

The food processing and logistics centres are supplying the relevant Products to other restaurants operated by the Group. However, because Miracle Time and Skybest are connected persons of the Company, the transactions contemplated under the Master Supply Agreement will constitute continuing connected transactions for the Company.

The terms of the Master Supply Agreement and in particular, the pricing basis for each type of the Products of the same nature, are identical to the supply of the same (i) to other restaurants operated by the Group; and (ii) by other independent suppliers. On this basis, the Directors (including the independent non-executive Directors) consider that the terms of the Master Supply Agreement are on normal commercial terms and the Annual Cap are fair and reasonable and in the interests of the Shareholders as a whole.

ANNUAL CAP OF THE SUPPLY OF THE PRODUCTS

The maximum annual value of the supply of the Products to Miracle Time and Skybest by the Company for each of the three financial years ending 31 December 2010 is set forth below:

	Annual Cap for the year ending 31 December		
	2008	2009	2010
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Supply of the Products	32	36	40

The Annual Cap is based on various considerations, including but not limited to (i) the historical purchases of the Products by the restaurants operated by Miracle Time and Skybest from other suppliers; (ii) the anticipated increase in the purchases by the restaurants operated by Miracle Time and Skybest; and (iii) the purchase amount of similar products by other restaurants of the Group with similar scale of operation.

If the transactions contemplated under the Master Supply Agreement for any of the above years exceed the relevant Annual Cap, the Company will comply with the relevant requirements as stipulated under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

Both Miracle Time and Skybest are non-wholly owned subsidiaries of the Company and are connected persons of the Company as Café de Coral, a Substantial Shareholder, currently holds 20% of the issued share capital of Miracle Time and Skybest. 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.

Based on the Annual Cap, the applicable percentage ratios will be on an annual basis more than 2.5% but less than 25% and the annual consideration is expected to be more than HK\$10 million for each of the three financial years ending 31 December 2010. Accordingly, the transactions contemplated under the Master Supply Agreement will be subject to the reporting, announcement and approval of the Independent Shareholders as required by rules 14A.45 to 14A.48 of the Listing Rules.

The Independent Board Committee has been set up to advise the Independent Shareholders on the transactions under the Master Supply Agreement and the proposed Annual Cap. CIMB has been engaged as the independent financial advisor for the purpose of providing independent advice to the Independent Board Committee and the Independent Shareholders on the terms of the Master Supply Agreement and the Annual Cap.

Café de Coral is the substantial shareholder (as such term is defined under the Listing Rules) of each of Miracle Time and Skybest and a Substantial Shareholder. Hence, Café de Coral, with an indirect shareholding of approximately 10.06% of the total issued share capital of the Company as at the Latest Practicable Date, will abstain from voting at the EGM. Mr. CHUNG Wai Ping, Mr. WONG Ka Wing and Mr. CHUNG Ming Fat are directors of Miracle Time and Skybest and are Directors and controlling shareholders (as such term is defined under the Listing Rules) of the Company. Hence, they have material interests in the Master Supply Agreement and they together with their associates, who collectively hold approximately 52.77% of the total issued share capital of the Company as at the Latest Practicable Date, will also abstain from voting at the EGM.

GENERAL INFORMATION RELATING TO THE COMPANY, MIRACLE TIME AND SKYBEST

The Company is a limited company incorporated in the Cayman Islands and was listed on the Main Board on 29 June 2007. The Group operates Chinese restaurants in Hong Kong and in China under different brands serving a variety of Chinese cuisines targeting at different customers.

Both Miracle Time and Skybest are indirectly owned as to 80% by the Company and 20% by Café de Coral. Each of Miracle Time and Skybest operates restaurant(s) under the brand of *Tao Heung* and *Chao Inn*, respectively.

LETTER FROM THE BOARD

EGM

Set forth on pages 21 to 22 of this circular is the notice convening the EGM to be held at No. 13 Au Pui Wan Street, Fo Tan Shatin, New Territories, Hong Kong at 10:00 a.m. on 31 December 2007 for the purpose of considering and if thought fit, passing the ordinary resolution set forth therein.

Mr. CHUNG Wai Ping, Mr. WONG Ka Wing, and Mr. CHUNG Ming Fat and Café de Coral and their respective associates will be required to abstain from voting at the EGM in respect of the relevant resolution in relation to the approval of the Continuing Connected Transactions.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit it with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-6, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time for holding the EGM or any adjourned meeting thereof (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof (as the case may be) should you so wish.

RECOMMENDATION

The Directors consider that the Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution to be proposed at the EGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the information set forth in appendix to this circular.

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



TAO HEUNG HOLDINGS LIMITED

稻香控股有限公司*

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 573)

10 December 2007

To the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
SUPPLY OF PRODUCTS TO RESTAURANTS OPERATED BY
NON-WHOLLY OWNED SUBSIDIARIES**

We refer to the circular dated 10 December 2007 (the “**Circular**”) issued by the Company, of which this letter forms a part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context requires otherwise.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders the fairness and reasonableness of the terms and conditions of the Master Supply Agreement and the Annual Cap. Details of our advice, together with the recommendation are set forth on pages 9 to 10 of the Circular.

CIMB has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions. Details of its advice, together with the principal factors and recommendation taken into consideration in arriving at such, are set forth in its letter on pages 11 to 14 of the Circular.

Your attention is drawn to the letter from the Board set forth on pages 4 to 8 of the Circular and the general information set forth in the appendix to the Circular.

Having taken into account (i) the terms and conditions of the Master Supply Agreement; and (ii) the advice given by CIMB, in particular the principal factors and recommendation set forth in the letter from CIMB, we consider that the Continuing Connected Transactions are in the ordinary and usual course of business of the Group and that the terms and conditions of the Master Supply Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. We also consider that the entering into of the Master Supply Agreement is in the interests of the Company and the Shareholders as a whole and that the Annual Cap is fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we

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LETTER FROM THE INDEPENDENT BOARD COMMITTEE

recommend the Independent Shareholders to vote in favour of the resolution approving the Master Supply Agreement, the Continuing Connected Transactions thereunder and the Annual Cap to be proposed at the EGM.

Yours faithfully,
Independent Board Committee

LI Tze Leung

*Independent non-
executive Director*

**CHAN Chi Fai,
Andrew**

*Independent non-
executive Director*

**MAK Hing Keung,
Thomas**

*Independent non-
executive Director*

NG Yat Cheung

*Independent non-
executive Director*

LETTER FROM CIMB



CIMB-GK Securities (HK) Limited

25/F., Central Tower
28 Queen's Road Central
Hong Kong

10 December 2007

*To the Independent Board Committee and the Independent Shareholders of
Tao Heung Holdings Limited*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Master Supply Agreement and the Annual Cap. Details of the terms of the continuing connected transactions are set out in the Letter from the Board contained in the circular of the Company dated 10 December 2007 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

In formulating our recommendation, we have relied on the information and facts contained or referred to in the Circular as well as the representations made or provided by the Directors and the senior management of the Company. The Directors have declared in a responsibility statement set out in the appendix to the Circular that they jointly and severally accept full responsibility for the accuracy of the information contained and representations made in the Circular. We have also assumed that the information and the Directors' representations contained or referred to in the Circular were true and accurate at the time they were made and continue to be so at the date of the despatch of the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company. We have also been advised by the Directors and believe that no material facts have been omitted from the Circular.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained and the Directors' representations made in the Circular and to provide a reasonable basis for our recommendation. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Company, Café de Coral or any of their subsidiaries or associates.

LETTER FROM CIMB

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion for the continuing connected transactions (including the Annual Cap), we have considered the following principal factors and reasons:

Background and rationale

The Group is principally engaged in the operation of Chinese restaurants in Hong Kong under different brands serving a variety of Chinese cuisines targeting different customers.

On 26 November 2007, the Company entered into the Master Supply Agreement whereby it has conditionally agreed to supply or procure to supply the Products to the restaurants operated by Miracle Time and Skybest. Both Miracle Time and Skybest are non wholly-owned subsidiaries of the Company and are connected persons of the Company as Café de Coral, a Substantial Shareholder, currently holds 20% of the issued share capital of Miracle Time and Skybest. As noted from the Letter from the Board, the Group had supplied the Products to the restaurants operated by Miracle Time and Skybest before March 2007 when the Company was still a private company, and the aggregate supplies amounted to approximately HK\$7 million, HK\$11 million and HK\$12 million, respectively, for the three financial years ended 31 December 2006 and approximately HK\$3 million for the two months ended 28 February 2007. With the investment of Café de Coral in the Company in March 2007 as a strategic investor and thus resulting in Miracle Time and Skybest becoming connected persons of the Company, in order to minimise the level of connected transactions for the Company upon listing of its Shares in June 2007, Miracle Time and Skybest began to purchase the Products from independent third parties since March 2007.

The Group's food processing and logistics centre in Dongguan, the PRC, commenced commercial operation in September 2007 and has been working in collaboration with the Group's food processing and logistics centre in Fo Tan, Shatin, Hong Kong to coordinate and perform certain procurement, food-processing, preservation, quality checking, packaging, warehousing and distribution functions for the Group's restaurants in Hong Kong and China. With these two food processing and logistics centres in operation, the Directors consider that the Group is able to streamline and centralise various procurement functions for the Group's restaurants (including the operation under Miracle Time and Skybest), which would be beneficial to implement quality control on the food and services provided by the restaurants operated by the Group.

Given the above and the fact that i) the nature of the Master Supply Agreement relates to the Group's principal business and normal course of operations; and ii) the continuing connected transactions contemplated under the Master Supply Agreement will be based on normal commercial terms on an arm's length basis as elaborated below, we consider that the Master Supply Agreement is in the interests of the Company and the Shareholders as a whole.

LETTER FROM CIMB

Basis of determination

The Master Supply Agreement

Pursuant to the Master Supply Agreement, the Group will supply the Products to the restaurants operated by Miracle Time and Skybest at such prices based on the actual costs plus a mark-up of no more than 30%. As noted from the Letter from the Board, cost refers to the direct material cost of each type of the Products and the mark-up of no more than 30% is determined with reference to the staff costs, utilities and other overheads to be incurred by the food processing and logistics centres of the Group.

The Directors advised that the pricing basis for the Products as stated in the Master Supply Agreement are in line with the pricing basis for the Products supplied to other restaurants operated by the Group and were determined based on arm's length negotiations on normal commercial terms. Based on our review of the information provided by the Company on the historical purchase prices of the Products supplied by independent third party to Miracle Time and Skybest, the pricing basis for the Products under the Master Supply Agreement is in line with those pricing basis charged by other independent suppliers for the Products.

Views

Having considered the above, we consider that the terms of the Master Supply Agreement to be fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Annual Cap

The following table sets out the respective proposed Annual Cap for the Master Supply Agreement for the three years ending 31 December 2010.

	Annual Cap for the year ending 31 December		
	2008	2009	2010
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Supply of the Products	32	36	40

The proposed Annual Cap have been principally determined by the Directors with reference to the following factors:

- (i) the historical purchase amount of the Products by the restaurants operated by Miracle Time and Skybest from other independent suppliers;
- (ii) the anticipated increase in the purchase volume by the restaurants operated by Miracle Time and Skybest; and
- (iii) the purchase amount of similar products by other restaurants operated by the Group with similar scale of operation.

LETTER FROM CIMB

As advised by the Directors, it is expected that the demand for the Products by Miracle Time and Skybest for the year ending 31 December 2008 will be in line with their demand for the year ending 31 December 2007. It is also estimated that approximately 80% of the Products required by Miracle Time and Skybest will be sourced from the Group's food processing and logistics centres with the remaining 20% of the Products to be sourced from other independent suppliers. The Directors also advised that they have been advised by Miracle Time and Skybest that any demand of the Products beyond the Annual Cap for the three years ending 31 December 2010 will be sourced from independent suppliers. We note that the Annual Cap for the year ending 31 December 2008 represents approximately 80% to the estimated demand for the Products for the year ending 31 December 2007.

Views

Given the above, we are of the view that the Annual Cap is fair and reasonable so far as the Company and the Independent Shareholders are concerned. However, as the Annual Cap relates to future events and are based on assumptions which may or may not remain valid for the entire period up to 31 December 2010, consequently, we express no opinion as to how closely the actual amount to be incurred under the continuing connected transactions contemplated under the Master Supply Agreement will correspond with the Annual Cap.

RECOMMENDATION

Having considered the principal factors and reasons referred to above, we consider that the Master Supply Agreement is in the interests of the Company and the Shareholders as a whole, and the terms thereof including the Annual Cap are fair and reasonable, on normal commercial term and in the ordinary and usual course of business so far as the Company and the Independent Shareholders are concerned. Accordingly, we advise the Independent Shareholders and the Independent Board Committee to recommend the Independent Shareholders to vote in favor of the resolution to be proposed at the EGM to approve the Master Supply Agreement as well as the Annual Cap.

Yours faithfully,

For and on behalf of

CIMB-GK Securities (HK) LIMITED

Alex Lau

Flavia Hung

Executive Vice President Senior Vice President

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and, having made all reasonable enquiries, confirm that to the best of their knowledge and belief there are no other facts the omission of which would make any statement in this circular misleading.

2. DISCLOSURE OF INTERESTS BY DIRECTORS

(A) Interests in the Company

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executive of the Company in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

Name of Directors	Notes	Number of ordinary Shares (long position)					% of total issued Shares
		Personal interests	Family interests	Corporate interests	Equity derivatives	Total interests	
<i>Executive Directors</i>							
CHUNG Wai Ping	a, d, e	—	12,174,222	360,097,689	1,350,000	373,621,911	36.83
WONG Ka Wing	b	—	—	103,283,124	—	103,283,124	10.18
CHUNG Ming Fat	c	—	—	59,795,068	—	59,795,068	5.89
LEUNG Yiu Chun	f	—	—	—	800,000	800,000	0.08
WONG Fun Ching	f	—	—	—	800,000	800,000	0.08
HO Yuen Wah		8,227,044	—	—	—	8,227,044	0.81
<i>Non-executive Director</i>							
FONG Siu Kwong		180,000	—	—	—	180,000	0.02
<i>Independent non-executive Directors</i>							
LI Tze Leung		107,000	—	—	—	107,000	0.01
NG Yat Cheung		1,445,137	—	—	—	1,445,137	0.14
<i>Directors of subsidiaries</i>							
LAM Wai Pan	g	8,095,473	—	—	—	8,095,473	0.80
CHAN Yung Foon, Stella	h, i	5,108,042	—	—	450,000	5,558,042	0.55

Notes:

- (a) 360,097,689 Shares were held by Billion Era International Limited, which is wholly-owned by Mr. CHUNG Wai Ping.
- (b) These Shares were held by Joy Mount Investments Limited, which is wholly-owned by Mr. WONG Ka Wing.

- (c) These Shares were held by Whole Gain Holdings Limited, which is wholly-owned by Mr. CHUNG Ming Fat.
- (d) 12,174,222 Shares were held by Ms. CHAN Sai Ying, spouse of Mr. CHUNG Wai Ping.
- (e) 1,350,000 options granted to Ms. CHAN Sai Ying, spouse of Mr. CHUNG Wai Ping, under the Pre-IPO Share Option Scheme to subscribe for shares of the Company.
- (f) These represented interests in options granted to Directors under the Pre-IPO Share Option Scheme to subscribe for shares of the Company.
- (g) Mr. LAM Wai Pan is the director of a wholly-owned subsidiary of the Group — 東莞萬好食品有限公司 (Dongguan Wan Hao Food Limited) and 97% owned subsidiaries of the Group — 廣州僑光稻香海鮮火鍋酒家有限公司 (Guangzhou Qiaoguang Tao Heung Seafood Hotpot Restaurant Limited) and 廣州新港稻香海鮮火鍋酒家有限公司 (Guangzhou Xingang Tao Heung Seafood Hotpot Restaurant Limited).
- (h) Ms. CHAN Yung Foon, Stella is the director of a wholly-owned subsidiary of the Group — 深圳領鮮稻香飲食有限公司 (Shenzhen Ling Xian Tao Heung Food & Beverage Limited).
- (i) 450,000 options granted to Mr. WONG Kwok Hung, spouse of Ms. CHAN Yung Foon, Stella, under the Pre-IPO Share Option Scheme to subscribe for shares of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules to be notified to the Company and the Stock Exchange.

(B) Directors' interests in contracts and assets

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to, or which were proposed to be acquired, disposed of by or leased to, any member of the Group, since 31 December 2006, the date to which the latest published audited consolidated financial statements of the Company for the financial year ended 31 December 2006 of the Group were made up.

None of the Directors were materially interested, directly or indirectly, in any contract or arrangement subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the interests and short positions of every persons, other than Directors or chief executive of the Company, in the Shares and underlying Shares, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV

of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and the amount of each of such person's interest in such securities, together with particulars of any options in respect of such capital were as follows:

Name of Shareholder	Notes	Number of ordinary Shares (long position)	
		Directly beneficially owned	% of total issued Shares
Billion Era International Limited	<i>a</i>	360,097,689	35.50
Joy Mount Investments Limited	<i>b</i>	103,283,124	10.18
Perfect Plan International Limited	<i>c</i>	102,053,976	10.06
Whole Gain Holdings Limited	<i>d</i>	59,795,068	5.89

Notes:

- (a) These Shares were wholly-owned by Billion Era International Limited, which is beneficially owned by Mr. CHUNG Wai Ping.
- (b) These Shares were wholly-owned by Joy Mount Investments Limited, which is beneficially owned by Mr. WONG Ka Wing.
- (c) These Shares were wholly-owned by Perfect Plan International Limited, which is beneficially owned by Café de Coral.
- (d) These Shares were wholly-owned by Whole Gain Holdings Limited, which is beneficially owned by Mr. CHUNG Ming Fat.

Save as disclosed above, as at the Latest Practicable Date, the Directors are not aware of any other person (other than the Directors or chief executive of the Company) who have interests and short positions in the Shares and underlying Shares, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and the amount of each of such person's interest in such securities, together with particulars of any options in respect of such capital.

4. PROCEDURE FOR DEMANDING A POLL

Pursuant to Article 66 of the articles of association of the Company, at any general meeting a resolution put to the vote of a meeting shall be decided on a show of hands unless voting by way of a poll is required by the rules of the designated Stock Exchange or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

- a. by the chairman of such meeting; or

- b. by at least three Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- c. by a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or
- d. by a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all Shares conferring that right; or
- e. if required by the rules of the designated Stock Exchange, by any Director or Directors who, individually or collectively, hold proxies in respect of Shares representing 5% or more of the total voting rights at such meeting.

5. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

6. MATERIAL CHANGE

The Directors confirm that there was no material adverse change in the financial or trading position or prospects of the Group since 31 December 2006, the date to which the latest published audited financial statements of the Company were made up, up to the Latest Practicable Date.

7. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into, or proposed to enter into, any service contract with the Company or any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensations (other than statutory compensation)).

8. EXPERT AND CONSENT

The following is the qualification of the expert who has been named in this circular or has given opinion or advice which are contained in this circular:

Name	Qualification
CIMB-GK Securities (HK) Limited	A corporation licensed to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) of the regulated activities under the SFO.

CIMB has given and has not withdrawn their written consent to the issue of this circular with the inclusion herein of its letter or reference to its name in the form and context in which they appear.

CIMB does not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

CIMB does not have any direct or indirect interests in any assets which have been, since 31 December 2006 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

9. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors or their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with business of the Group.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during the normal business hours from 9:30 a.m. to 1:00 p.m. and from 2:00 p.m. to 6:00 p.m. on any business day at the principal place of business of the Company in Hong Kong at No. 13 Au Pui Wan Street, Fo Tan, Shatin, New Territories, Hong Kong from the date of this circular up to and including 31 December 2007:

- a. the Master Supply Agreement;
- b. the written consent referred to in the sub-section headed “Expert and consent” in this appendix;
- c. the letter of recommendation from the Independent Board Committee dated 10 December 2007, the text of which is set forth on pages 9 to 10 of this circular; and

- d. the letter from CIMB dated 10 December 2007, the text of which is set forth on pages 11 to 14 of this circular.

11. MISCELLANEOUS

- The branch share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712–6, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.
- The English text of this circular prevails over the Chinese text in case of inconsistency.



TAO HEUNG HOLDINGS LIMITED

稻香控股有限公司*

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 573)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of Tao Heung Holdings Limited (the “Company”) will be held at No. 13 Au Pui Wan Street, Fo Tan, Shatin, New Territories, Hong Kong at 10:00 a.m. on 31 December 2007 for the purpose of considering, and if thought fit, passing with or without amendments, the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT**

- (a) the master supply agreement (the “**Master Supply Agreement**”) dated 26 November 2007 entered into between the Company and Miracle Time Enterprise Limited (“**Miracle Time**”) and Skybest International Investment Enterprise Limited (“**Skybest**”) in relation to the supply of 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 to the restaurant(s) operated by Miracle Time and Skybest under the brand of *Tao Heung* and *Chao Inn* (a copy of which is marked “A” and has been produced to the EGM and signed by the chairman of the EGM for the purpose of identification) be and is hereby approved;
- (b) the Annual Cap (as defined in the circular of the Company to its shareholders dated 10 December 2007) be and is hereby approved; and
- (c) any of the directors of the Company be and is hereby authorised on behalf of the Company to sign, seal, execute, perfect and deliver all such documents and do all such deeds, acts, matters and things as they may in their discretion consider necessary or desirable for the purpose of implementation of the Master Supply Agreement in accordance with the terms therein.”

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

Hong Kong, 10 December 2007

* For identification purpose only

NOTICE OF THE EGM

Principal place of business in Hong Kong:

No. 13 Au Pui Wan Street

Fo Tan

Shatin

New Territories

Hong Kong

Notes:

- (1) A shareholder of the Company entitled to attend and vote at the EGM is entitled to appoint another person as his/her/its proxy to attend and vote at the EGM. A proxy need not be a shareholder of the Company but must be present in person to represent the shareholder.
- (2) Where there are joint shareholders of the Company, any one of such shareholders may vote at the EGM, either personally or by proxy, in respect of the Shares as if he/she/it is solely entitled thereto, but if more than one of such joint shareholders be present at the EGM personally or by proxy, that one of the said shareholders so present whose name stands first in the register of shareholders of the Company in respect of such Shares shall alone be entitled to vote in respect thereof.
- (3) A form of proxy for use at the EGM is enclosed with this circular.
- (4) The form of proxy and power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority must be delivered to the office of the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-6, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the EGM or any adjournment (as the case may be) and in default, the form of proxy shall not be treated as valid. Completion and return of the form of proxy shall not preclude shareholders of the Company from attending and voting in person at the EGM or any adjournment (as the case may be) should they so wish. If a shareholder of the Company who has lodged a form of proxy attends the EGM, his/her/its form of proxy will be deemed to have been revoked.
- (5) In accordance with rule 13.39(4) of The Rules Governing the Listing Securities on the Stock Exchange of Hong Kong Limited, voting on the above ordinary resolution will be taken by poll.