TAO HEUNG HOLDINGS LIMITED
稻香控股有限公司*

(incorporated in the Cayman Islands with limited liability)
(Stock code: 573)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

HIGHLIGHTS

	For the year ended 31 December		Increase/ (Decrease) in
	2014	2013	**%**
	(HK$'000)	*(HK$'000)*	
Revenue	**4,489,244**	4,320,453	3.9%
Profit attributable to owners of the parent	**207,368**	274,204	(24.4%)
	HK cents	*HK cents*	
Basic earnings per share	**20.30**	26.84	(24.4%)
Proposed final dividend per share	**6.0**	6.3	(4.8%)
No. of restaurants and bakery outlets at 31 December	**154**	142	
No. of restaurants and bakery outlets at announcement date	**158**	141	

* *For identification purpose only*

CHAIRMAN'S STATEMENT

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Tao Heung Holdings Limited (the "**Company**" together with its subsidiaries, "**Tao Heung**" or the "**Group**"), I would like to present the annual results of the Group for the year ended 31 December 2014.

As it has been said, "change is the only constant", and this certainly rings true for the food catering industry, which over the past year has presented a mixed bag of fortunes for the Group. In Hong Kong, a volatile political atmosphere added to an already challenging climate for large-scale operators such as Tao Heung, which also had to contend with rising labour and rental costs, the increasing practice by landlords to subdivide properties, and a series of food-related incidents in the catering market that dented public confidence in the F&B industry. Our progress across the border has however been much more positive. Indeed, our growing presence in Mainland China has continued to reap benefits, highlighting the foresight of our management team in strategically reinforcing the Group's presence in key regions of the country.

Committed to delivering fair returns to all of our shareholders, the Board has resolved to declare a final dividend of HK6.0 cents per share, which, combined with an interim dividend of HK6.0 cents already paid, amounts to a total dividend of HK12.0 cents for the financial year, representing an annual payout ratio of 59.1%.

Increasing prominence in Mainland China

Accounting for an ever rising percentage of our total revenue at 33.9%, up from 30.4% in 2013 and 26.3% in 2012, the Mainland China operation is clearly the new growth driver of the Group. Such growth, however, has not come simply overnight. In fact, in the past ten years we have been directing efforts towards building three distinct home-grown management teams entrusted with operating the Group's businesses in eastern, southern and central China respectively. Consequently, we implemented a training programme for management-level talents from these three regions, which allows us to both pave the way for the Group's further development and maintain management excellence well into the future. Last year, over 100 management-level staff visited the VTC Tao Mao Institute in Hong Kong for training and received Professional Certificate in Management for the Catering Industry for their achievement. We trust that they will go on to further raise the overall management standard of Tao Heung restaurants across Mainland China.

In addition to enhancing the professionalism of our management staff, we have continuously strengthened our presence in the country, particularly first-tier cities such as Shanghai, Shenzhen and Guangzhou. As at the reporting year, the Group operated a total of 37 restaurants – up from 30 a year earlier – as it continued to effectively tap the middleclass customer segment.

Aside from our restaurant operations, we are continuing to make headway with our Bakerz 180 bakery chain. Already, a significant achievement has been made in terms of network expansion, with 18 outlets in operation as at the end of 2014 – up from only eight in the preceding year. Such growth has been spurred in part by the optimisation of our centralised kitchen. Though remaining in a developmental stage and yet to achieve profitability as Bakerz 180 was only acquired by the Group in 2013, we remain optimistic that by continuing to build a retail chain in Southern China, specifically in Guangzhou and Shenzhen, the greater economies of scale will lead to an upturn in the bakery operation.

Committed to Hong Kong

2014 was a particularly challenging year for the Hong Kong catering industry as it continued to suffer from depressed consumption due to modest economic growth and high inflation, and was further affected by the decline in tourists from Mainland China. Nonetheless, we have always considered Hong Kong to be our home and the foundation from which to build on. In the face of adversity, we have developed strategies that heed current challenges while at the same time seek to seize new opportunities. Consequently, we have closed underperforming restaurants, while at the same time downsized others in response to subdividing practices by landlords. Though our Hong Kong business experienced a decline in revenue for the year, we were still able to moderate the decline by leveraging effective cost controls and continuing to offer effective marketing promotions.

Adhering to our business diversification drive, we further expanded the presence of two brands, namely Tao Square and Joyous One, which cater for the middleclass market as opposed to our traditional brands which focus on the mass public segment. As at the end of 2014, there are two Tao Square restaurants and three Joyous One restaurants in operation. The Group plans to open two more Tao Square outlets in 2015, and further develop Joyous One in the future.

In addition to tapping the middleclass market, we are also making progress on other business fronts, including the Japanese restaurant "RingerHut" and Tai Cheong Bakery, the latter of which has already expanded to a citywide network of 27 outlets as at the end of 2014. Both RingerHut and T CAFÉ 1954 have helped uphold Tao Heung's philosophy of providing "value-for-money" dining experiences, and generated overwhelmingly positive response, particularly among the youth segment.

Outlook

During the new financial year, the Mainland China operation will experience still greater network growth as we aim to increase our presence by seven to eight restaurants, which will lead to further inroads in such first-tier cities as Guangzhou, Shenzhen and Shanghai.

While the economic climate in Hong Kong will have a direct bearing on the Group's performance in the coming financial period, there remain opportunities from which we can regain momentum and further consolidate our position in the local market. Case in point, the aforementioned trend by landlords to subdivide their properties to generate higher profits has highlighted the Group's ability to successfully downsize its restaurants when required, while maintaining profitability. In fact, over the past four to five years, we had already opened eight restaurants that each covered less than 6,000 sq. ft. – a sharp contrast with the traditional Chinese restaurant that can cover between 10,000 sq. ft. and 15,000 sq. ft.. This strategy to downsize has helped us to reduce our investment in each restaurant, raise sales per square foot, lessen our exposure to the labour shortage and cater for the preferences of landlords in Hong Kong, most of whom prefer selecting diversified catering brands with smaller operating area.

The subsequently strong performance of the aforementioned downsized establishments has also underscored the importance of our Tai Po and Dongguan Logistics Centres, which, with their flexibility, are able to meet our various business requirements – and the opening of Dongguan Phase 2 in 2015 will provide even greater production capacity and flexibility. Given that we remain on track to establish a catering network of 200 outlets, spanning Hong Kong and major cities across China by 2017, such capacity will be fully leveraged.

As much as our traditional businesses are essential to our growth, we are also exploring opportunities that the online realm is presenting. Consistent with our goal of appealing to the young and mass market in Hong Kong, we have begun communicating with customers via social media and employing online promotions to cultivate a new generation of restaurant-goers.

As we continue to plan ahead, we remain optimistic that with the infrastructure in place, a strong management team at the helm and sound financial health to support our strategies, the Group will continue to capture market share and achieve long-term growth while delivering fair returns to our shareholders.

Corporate Social Responsibility

At the most fundamental level, the catering industry is about serving people, which is why we have always believed that contributing to society is a natural extension of our responsibility. Consistent with this belief, the founders of the Group established the Tao Heung Food Culture and Education Foundation with their own financial resources, the objectives of which include preserving the culture and history of the F&B industry, raising the professional management standards of the entire food catering sector, and helping the less fortunate in society. Consistent with such objectives, the Foundation will be responsible for supporting the VTC Tao Mao Institute, which provides training for management professionals from the F&B industry, as well as oversee the Group's Tao Heung Museum of Food Culture.

As the Group has long been a champion of corporate social responsibility, it will seek to advance the efforts initiated by the Foundation, and in so doing, also further enhance Tao Heung's own impact on society in the coming years.

Appreciation

On behalf of the Board, I wish to take this opportunity to extend my gratitude to the management team for their valuable contributions to the Group during the past year. I wish to also express my appreciation to the entire workforce for their commitment and diligence amidst such challenging times. Certainly, all of our customers, business partners and shareholders must be lauded for their steadfast support.

Chung Wai Ping
Chairman

Hong Kong
19 March 2015

MANAGEMENT DISCUSSIONS AND ANALYSIS

Review

The Board is pleased to announce the Group's annual results for the year ended 31 December 2014. During the year, the Group continued to experience severe challenges in Hong Kong, a market with weak consumption sentiment, rising inflation, and towards the final quarter year, political unrest. Even though revenue derived from the Hong Kong restaurant operation dipped modestly, the Mainland China counterpart grew at a health rate, as the Group began to reap the benefits of its network expansion in major cities where it has effectively catered for middleclass consumers.

Financial Results

Total revenue for the financial year amounted to HK$4,489.2 million, representing a year-on-year increase of 3.9%, and which was driven by moderate growth from the Mainland China operation. With a restaurant network in Mainland China that totals 37 at the reporting year (2013: 30 restaurants), the Group has been able to further strengthen its position in the country, particularly in first-tier cities such as Guangzhou, Shenzhen and Shanghai where its target customers, the middleclass, are most highly concentrated. In contrast, the Hong Kong operation has continued to experience low consumption and inflation pressure. Furthermore, with the trend among landlords to expand retail portion and subdivide their properties to generate higher profits, the Group has been forced to close six large-scale restaurants, which consequently led to the drop in revenue and in terms the profitability of Hong Kong operation as a whole. The gross margin has however remained at a similar level with last year, owing to stable food prices, efficient control over food wastage and effective food chain management. Profit attributable to owners of the parent amounted to HK$207.4 million (2013: HK$274.2 million) and was the result of several factors, including the increase in losses incurred from the Bakerz 180 bakery chain, which remains in an investment stage and the fair value loss on forward contract. Excluding the aforementioned factors, profit attributable to owners of the parent would have amounted to HK$223.2 million.

Mainland China Operations

Owing to the management's foresight in tapping major first-tier cities in Mainland China, the Group has continued to make steady progress as highlighted by revenue of HK$1,520.9 million generated during the review year, representing a year-on-year rise of 15.7%. The Mainland China operation has thus become a major growth driver, accounting for 33.9% of the Group's total revenue, up from 30.4% in 2013. Contributing to the growth has been an increase in restaurants opened in the country, which stands at 37 at the reporting year, including one HITEA restaurant in Shanghai, thus seven more than the previous financial year. The management has identified key cities from which to strengthen its national presence; specifically, Shanghai and Wuhan for eastern and central regions of China respectively, with Guangzhou and Shenzhen accounting for the southern reaches of the country. In view of the success of its flagship restaurant in Huahai Road of Shanghai, the management leveraged its successful image to establish additional restaurants at the prime CBD in Pudong District and West Nanjing Road in Puxi District as of December 2014.

Aside from a bolstered network, the Group's well-defined strategy of targeting the middleclass segment has also contributed to the rise in revenue. Average spending per head has continued to rise, as has same store sales, both of which achieved single-digit growth. Gross margin has remained relatively at a similar level comparing to 2013. Earnings before interest, taxes, depreciation and amortisation (EBITDA) rose by 4.9% to HK$252.7 million.

In respect of the Bakerz 180 bakery chain, which the Group acquired up to 60% interest back in mid-2013, it continues to be in a developmental stage. The management is confident that through further network expansion and enhancing operation efficiency, Bakerz 180 will benefit from greater economies of scale and target to achieve operational breakeven point in 2015, although it is still at a loss making position this year. As at the review year, the total number of Bakerz 180 outlets totalled 18, a significant increase of 10 outlets from 2013. Revenue has risen by 109.4% to HK$27.3 million when compared with that in 2013.

The current development stage of Bakerz 180 had direct impact on the Mainland China operations, as reflected by the dip in profit attributable to owners of the parent, which totalled HK$64.1 million (2013: HK$65.5 million). Aside from a loss of HK$10.6 million associated with the bakery chain, the profit from the poultry business also recorded a drop of HK$2.2 million due to the fall in pork prices throughout the review year. Excluding the aforementioned factors, profit attributable to owners of the parent for the restaurant and logistics businesses would have reached HK$72.1 million, representing a year-on-year increase of 13.7%.

Hong Kong Operations

Revenue from the Hong Kong operations amounted to HK$2,968.3 million (2013: HK$3,006.3 million). The slight decline in revenue was due in part to the downsizing of certain restaurants as landlords have elected to subdivide their properties to boost profits. Further, the net closure of eight restaurants, including six large-scale restaurants, consequently reduced the Group's total operating area from approximately 716,000 sq. ft. in 2013 to approximately 685,000 sq. ft. in 2014 which affected the profitability of the Hong Kong operations. Profit attributable to owners of the parent declined to HK$143.3 million (2013: HK$208.7 million).

As at 31 December 2014, the Group operated a total of 72 outlets (2013: 80 outlets), including two "RingerHut" Japanese restaurants and one "T CAFÉ 1954", an offshoot of the Tai Cheong Bakery chain. Aside from the aforementioned factors that curbed the Hong Kong operations' performance during the year, high inflation leading to weak consumption sentiment remained a persistent challenge. In addition, political movement during the months of September to December deeply affected five large-scale restaurants situated in Mongkok and Causeway Bay, representing over 8% of the Group's total operating area in Hong Kong. The performance of these restaurants did gradually return to normal after the incident. Aiding the overall performance of the Hong Kong operation were effective marketing strategies and promotions, the latter of which include the popular "HK$1 Chicken", "Hotpot Promotion" (火鍋三招) and the joint promotion with UnionPay. Gross margin remained relatively stable owing to effective supply chain management and food waste control.

In respect of the Tai Cheong Bakery operation, the Group operated a total of 27 outlets as at the reporting year, an increase of four outlets from 2013. Though revenue increased by 14.3%, profit contracted by 42.4% mainly due to concerns relating to the "gutter oil" incident in Taiwan broke out in September 2014. Despite Tai Cheong only uses imported cooking oil from Netherlands, it nonetheless was affected by the general public's loss of confidence.

Logistics Centres

Both the Tai Po and Dongguan Logistics Centres play integral roles in the Group's vertical integration drive. Along with ensuring consistent food quality and safety, the facilities are essential for controlling costs and supporting the Group's growth in Hong Kong and Mainland China, as well as allowing the management to explore new business opportunities. As at the review year, both logistics centres each processed 1,050 tonnes of food per month, while the completion of Dongguan Phase 2 in January 2015 will realise still greater output, much of which will be for dim sum and Chinese baked goods.

Poultry and Peripheral Business

The poultry and peripheral business continued to provide supplementary income to the Group during the reporting year, totalling HK$90.7 million and HK$153.9 million respectively (2013: HK$92.4 million and HK$143.6 million). With the price of pork having declined during the year, lower profit was achieved by the poultry segment. Nevertheless, the poultry farm remains an important asset that ensures the Group is provided with a steady and safe supply of quality pork and poultry.

Financial Resources and Liquidity

As at 31 December 2014, the Group's total assets increased to approximately HK$2,617.1 million (2013: approximately HK$2,610.3 million) while the total equity increased to approximately HK$1,804.2 million (2013: approximately HK$1,741.8 million).

As at 31 December 2014, the Group had cash and cash equivalents of approximately HK$336.9 million. After deducting total interest-bearing bank borrowings of approximately HK$193.5 million, the Group had a net cash surplus position of approximately HK$143.4 million.

As at 31 December 2014, the Group's gearing ratio (defined as total interest-bearing bank borrowings plus finance lease payable divided by total shareholders' equity) was 10.9% (2013: 14.7%).

Capital Expenditure

Capital expenditure for the year ended 31 December 2014 amounted to approximately HK$360.1 million and capital commitments as at 31 December 2014 amounted to approximately HK$66.4 million. The capital expenditure were mainly for the renovation of the Group's new and existing restaurants and Tai Po Logistics Centre while the capital commitments relate to the construction of Phase 2 of Dongguan Logistics Centre.

Contingent Liabilities

As at 31 December 2014, the Group had contingent liabilities in respect of bank guarantees given in lieu of rental and utility deposits amounting to approximately HK$25.3 million (2013: approximately HK$27.6 million).

Foreign Exchange Risk Management

The Group's sales and purchases for the year ended 31 December 2014 were mostly denominated in Hong Kong Dollars ("**HK$**") and Renminbi ("**RMB**").

The RMB is not a freely convertible currency. Future exchange rates of the RMB could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes domestically and internationally, and the demand and supply of the RMB. The appreciation or devaluation of the RMB against HK$ may have impact on the operation results of the Group.

The Group currently does not have a foreign currency hedging policy. However, management monitors the foreign exchange exposure and arranges foreign exchange forward contracts to minimize foreign currency exposure when appropriate.

Human Resources

As at 31 December 2014, the Group had 10,023 employees. In order to attract and retain high quality staff and to enable smooth operation within the Group, the Group offers competitive remuneration packages (with reference to market conditions and individual qualifications and experience) and various inhouse as well as external training courses. The remuneration packages are subject to review on a regular basis.

In addition, the Group also adopted the Pre-IPO Share Option Scheme and Share Option Scheme, where eligible employees are entitled to various share options to subscribe for the ordinary shares in the Company for their past and potential contribution to the growth of the Group. As at 31 December 2014, approximately 3,800,000 options were outstanding under the Pre-IPO Share Option Scheme and no share options have been exercised during the year. Also, as at 31 December 2014, no options have been granted or agreed to be granted pursuant to the Share Option Scheme.

Pledge of Assets

As at 31 December 2014, the Group pledged its bank deposits of approximately HK$13.6 million, leasehold land and buildings of approximately HK$39.0 million and investment properties of approximately HK$14.7 million to secure the banking facilities granted to the Group.

Prospects

In the new financial year, the management will be fully committed to consolidating the Group's position in Hong Kong and Mainland China. Even though sentiment among consumers remains weak in Hong Kong, the management will continue to employ proven strategies to protect the Group's market shares. At the same time, it will seek to build on gains made in Mainland China where consumption sentiment is expected to improve.

Having realised notable growth in Mainland China over the past several years, the country is clearly the Group's new growth driver. And with the China Cuisine Association forecasting revenue from the catering industry to reach the RMB3,000 billion mark in 2015, up from RMB2,786 billion in 2014 – the management clearly has its sights on claiming an even greater stake of the local market. To do so, the Group will look to continue expanding its presence in first-tier cities where there is the highest concentration of middleclass consumers. Between seven and eight openings are on the table, including four restaurants in Eastern China, three of which will be in Shanghai, and the fourth in Wuxi. In Southern China, the Group will continue to fortify its strongholds of Guangzhou, Shenzhen and Foshan, while in Central China, the management will look for opportunity to bolster its presence in Wuhan.

With regards to the Bakerz 180 bakery chain, the Group will focus to consolidate and enhance its efficiency in 2015 by further capitalising on economies of scale, improving the mode of operation and enhancing staff quality and skills. Only additional one to two stores will be opened during the new financial year, again in Guangdong province – the management's principal focus. At the end of the review period, there are two Bakerz 180 outlets in Guangzhou, one in Dongguan and with a further 15 in Shenzhen.

While consumption sentiment is expected to strengthen in Mainland China, the mood in Hong Kong will be less optimistic. The Hong Kong Retail Management Association has forecasted 5% growth in retail sales in 2015, and Provisional statistics of retail sales for January 2015 released by The Census and Statistics Department showed a significant decrease compared with the same month in 2014 which, combined with a number of operational challenges, will require retailers to be particularly prudent in their business planning. Mindful of the dynamics at work, the management will continue to further refine the Group's business model, with downsizing taking greater prominence. Faced with the practice of landlords' of expanding retail portion and subdividing their properties to increase profits, the Group has turned such challenges into opportunities. During the past few years, we have successfully in opening eight restaurants with operating area range from 4,000 to 6,000 square feet yet reported favourable business performances. As such restaurants require less staff, they also help alleviate the problem of labour – an acute issue within the catering industry where there is an acute shortage.

The move to smaller restaurants highlights yet again the Group's ability to adapt and persevere during challenging times. From the Asian financial crisis of 1997, dot-com crash of 2000, SARS outbreak of 2003 and global financial crisis of 2008, the Group has steadily developed; growing from a single restaurant to managing the largest Chinese restaurant group in Hong Kong. In 2015, the Group will continue to transform itself, moving away from large-scale restaurants, which, during the year, will lead to either the closure or downsizing of around four establishments; hence, this will also create deep pressure on both our revenue and profitability. Aside from the change in scale, the Group will also look to enhance its appeal outside of Chinese cuisine. For example, the successful RingerHut restaurant that opened in Kowloon Bay in late 2013, which specialises in such Nagasaki dishes as Champon and Sara udon, the Group has successful in tuning its manual to suit the preference of Hong Kong people especially in enlarging the variety such as the introduction of Shabu Shabu. The response has encouraged the management to open further outlets. One new restaurant was consequently opened in Tseung Kwan O in December 2014, and up to three outlets are planned for 2015.

As the Group enters a transitional period, the management is well aware that a combination of traditional and new marketing strategies must be employed to reach all targeted consumers. To maintain bonds with its loyal customers, it will continue to employ it signature promotions, the most prominent of which being the "HK$1 Chicken". At the same time, the Group will seek to attract younger customers to the fold by employing a variety of online platforms to introduce promotions such as e-Red Pocket launched in the Lunar New Year, as well as encouraging interaction via social media.

Though the upcoming year will continue to present a variety of challenges, the management remains confident in the Group's ability to endure and rise to the occasion, as it has done in the past. Given that there are clear development roadmaps in place for both Hong Kong and Mainland China, the infrastructure for supporting such plans, and most importantly, the human capital for turning plans into reality, the Group is set to further distinguish itself from its peers. The operation of 200 outlets by 2017 will be one such distinguishing achievement.

RESULTS

The board of directors (the "**Board**") of Tao Heung Holdings Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively "**Tao Heung**" or the "**Group**") for the year ended 31 December 2014, together with the comparative figures for the year ended 31 December 2013 as follows:

Consolidated Statement of Profit or Loss
For the year ended 31 December 2014

	Notes	**2014** *HK$'000*	2013 *HK$'000*
REVENUE	*5*	**4,489,244**	4,320,453
Cost of sales		**(3,953,628)**	(3,704,465)
Gross profit		**535,616**	615,988
Other income and gains, net	*5*	**22,786**	26,599
Selling and distribution expenses		**(98,652)**	(98,185)
Administrative expenses		**(194,116)**	(186,967)
Other expenses		**(10,817)**	(15,745)
Finance costs	*6*	**(3,340)**	(3,717)
Share of losses of associates		**(1)**	(2)
PROFIT BEFORE TAX	*7*	**251,476**	337,971
Income tax expense	*8*	**(50,818)**	(64,640)
PROFIT FOR THE YEAR		**200,658**	273,331
Attributable to:			
Owners of the parent		**207,368**	274,204
Non-controlling interests		**(6,710)**	(873)
		200,658	273,331
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic (HK cents)	*10*	**20.30**	26.84
– Diluted (HK cents)	*10*	**20.25**	26.76

Details of the dividends payable and proposed for the year are disclosed in note 9 to this announcement.

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2014

	2014	2013
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**200,658**	273,331
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(12,616)**	19,199
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**188,042**	292,530
Attributable to:		
Owners of the parent	**194,988**	292,812
Non-controlling interests	**(6,946)**	(282)
	188,042	292,530

Consolidated Statement of Financial Position
As at 31 December 2014

	Notes	**2014**	2013
		HK$'000	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**1,552,196**	1,475,878
Prepaid land lease payments		**77,502**	63,480
Investment properties		**17,300**	14,850
Goodwill		**40,626**	40,804
Intangible asset		**1,346**	1,451
Investments in associates		**1,250**	1,251
Biological assets		**4,041**	2,105
Deferred tax assets		**84,140**	71,731
Rental deposits		**106,978**	108,355
Deposits for purchases of items of property, plant and equipment		**61,352**	104,163
Total non-current assets		**1,946,731**	1,884,068
CURRENT ASSETS			
Inventories		**147,834**	174,813
Biological assets		**16,743**	15,618
Trade receivables	*11*	**32,970**	28,196
Prepayments, deposits and other receivables		**116,370**	112,596
Tax recoverable		**5,929**	10,441
Pledged deposits		**13,591**	13,268
Cash and cash equivalents		**336,903**	371,267
Total current assets		**670,340**	726,199
CURRENT LIABILITIES			
Trade payables	*12*	**170,025**	182,647
Other payables and accruals		**285,701**	275,359
Derivative financial instrument		**6,221**	–
Interest-bearing bank borrowings		**113,527**	183,132
Finance lease payables		**211**	214
Tax payable		**26,858**	31,868
Total current liabilities		**602,543**	673,220
NET CURRENT ASSETS		**67,797**	52,979
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,014,528**	1,937,047

	Notes	**2014**	2013
		HK$'000	*HK$'000*
NON-CURRENT LIABILITIES			
Other payables and accruals		**88,270**	82,394
Interest-bearing bank borrowings		**80,000**	68,333
Finance lease payables		**564**	784
Due to non-controlling shareholders of subsidiaries		**23,255**	23,381
Deferred tax liabilities		**18,267**	20,369
Total non-current liabilities		**210,356**	195,261
Net assets		**1,804,172**	1,741,786
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**102,161**	102,161
Reserves		**1,623,958**	1,551,564
Proposed dividends		**61,297**	64,361
		1,787,416	1,718,086
Non-controlling interests		**16,756**	23,700
Total equity		**1,804,172**	1,741,786

Notes:

1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and accounting principles generally accepted in Hong Kong. The financial statements also comply with applicable disclosure requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that ordinance. The financial statements have been prepared under the historical cost convention, except for investment properties, biological assets and derivative financial instrument which have been measured at fair value. The financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards and new interpretation for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	*Investment Entities*
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to HKAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*
Amendment to HKFRS 2 included in *Annual Improvements 2010–2012 Cycle*	*Definition of Vesting Condition*[1]
Amendment to HKFRS 3 included in *Annual Improvements 2010–2012 Cycle*	*Accounting for Contingent consideration in a Business Combination*[1]
Amendment to HKFRS 13 included in *Annual Improvements 2010–2012 Cycle*	*Short-term Receivables and Payables*
Amendment to HKFRS 1 included in *Annual Improvements 2011–2013 Cycle*	*Meaning of Effective HKFRSs*

[1] Effective from 1 July 2014

Other than explained below regarding the impact of amendments to HKAS 32, HKAS 36, and amendments to HKFRS 2 and HKFRS 13 included in *Annual Improvements 2010-2012 Cycle*, the adoption of the above revised standards and interpretation has had no significant financial effect on the financial statements.

(a) HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set-off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments have had no impact on the Group as the Group does not have any offsetting arrangement.

(b) The HKAS 36 Amendments remove the unintended disclosure requirement made by HKFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments have had no impact on the financial position or performance of the Group.

(c) The HKFRS 2 Amendment clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including (i) a performance condition must contain a service condition; (ii) a performance target must be met while the counterparty is rendering service; (iii) a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group; (iv) a performance condition may be a market or non-market condition; and (v) if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied. The amendment has had no impact on the Group.

(d) The HKFRS 13 Amendment clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has had no impact on the Group.

3. NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the financial statements.

HKFRS 9	*Financial Instruments*[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exemption*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
HKFRS 14	*Regulatory Deferral Accounts*[5]
HKFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to HKAS 1	*Disclosure Initiative*[2]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[2]
Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[2]
Annual Improvements 2010–2012 Cycle	Amendments to a number of HKFRSs[1]
Annual Improvements 2011–2013 Cycle	Amendments to a number of HKFRSs[1]
Annual Improvements 2012–2014 Cycle	Amendments to a number of HKFRSs[2]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2018
5 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

The group is in the process of making an assessment of the impact of the new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the group's results of operations and financial position.

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of the impact of these changes.

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the provision of food catering services through a chain of restaurants. Information reported to the Group's chief operating decision maker (i.e. the chief executive officer) for the purpose of resources allocation and performance assessment focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

Geographical information

The following tables present revenue from external customers for the years ended 31 December 2014 and 2013, and certain non-current asset information as at 31 December 2014 and 2013, by geographic area.

(a) Revenue from external customers

	2014	2013
	HK$'000	*HK$'000*
Hong Kong	**2,968,348**	3,006,322
Mainland China	**1,520,896**	1,314,131
	4,489,244	4,320,453

The revenue information above is based on the location of the customers.

(b) Non-current assets

	2014	2013
	HK$'000	*HK$'000*
Hong Kong	**617,729**	625,077
Mainland China	**1,137,884**	1,078,905
	1,755,613	1,703,982

The non-current asset information above is based on the location of assets and excludes financial assets and deferred tax assets.

5. REVENUE, OTHER INCOME AND GAINS, NET

Revenue, which is also the Group's turnover, represents gross revenue from restaurant, bakery and poultry farm operations and net invoiced value of goods sold, after deduction of relevant taxes and allowances for trade discounts.

An analysis of revenue, other income and gains, net is as follows:

	2014	2013
	HK$'000	*HK$'000*
Revenue		
Restaurant and bakery operations	**4,244,675**	4,084,487
Sale of food	**153,896**	143,571
Poultry farm operations	**90,673**	92,395
	4,489,244	4,320,453
Other income and gains, net		
Bank interest income	**2,672**	1,766
Change in fair values less cost to sell of biological assets	**4,176**	–
Fair value gains on investment properties	**2,450**	2,460
Gain on disposal of items of property, plant and equipment, net	**–**	388
Government grants	**4,755**	2,681
Gross rental income from investment properties	**477**	465
Gross rental income from sublease of poultry market	**–**	8,496
Sponsorship income	**3,318**	3,195
Foreign exchange differences, net	**–**	4,496
Others	**4,938**	2,652
	22,786	26,599

6. FINANCE COSTS

	2014	2013
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable		
– Within five years	**3,303**	3,684
– Beyond five years	**10**	12
Interest on finance leases	**27**	21
Total interest expense on financial liabilities not at fair value through profit or loss	**3,340**	3,717

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2014	2013
	HK$'000	*HK$'000*
Cost of inventories sold	**1,504,894**	1,441,991
Depreciation*	**302,198**	269,647
Amortisation of land lease payments*	**1,254**	1,204
Amortisation of intangible asset	**90**	52
Gross rental income from investment properties	**(477)**	(465)
Employee benefit expense* (including directors' remuneration):		
Salaries and bonuses	**1,159,369**	1,090,260
Retirement benefits scheme contributions	**68,739**	54,457
	1,228,108	1,144,717
Lease payments under operating leases in respect of land and buildings*:		
Minimum lease payments	**360,319**	326,577
Contingent rents	**10,265**	13,813
	370,584	340,390
Change in fair values less cost to sell of biological assets	**(4,176)**	5,433
Loss/(gain) on disposal of items of property, plant and equipment, net	**10**	(388)
Write-off of items of property, plant and equipment	**1,263**	10,308
Loss on deemed disposal of associates	**–**	4
Fair value loss on derivative financial instrument – transaction not qualifying as hedge	**6,221**	–
Foreign exchange differences, net	**3,614**	(4,496)

* The cost of sales for the year amounting to HK$3,953,628,000 (2013: HK$3,704,465,000) included depreciation charges of HK$280,905,000 (2013: HK$250,547,000), amortisation of land lease payments of HK$1,254,000 (2013: HK$1,204,000), employee benefit expense of HK$1,136,916,000 (2013: HK$1,060,442,000) and operating lease rentals of HK$370,317,000 (2013: HK$334,594,000).

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2014	2013
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**37,960**	35,932
Underprovision/(overprovision) in prior years	**(294)**	488
Current – Mainland China	**27,788**	26,228
Deferred	**(14,636)**	1,992
Total tax charge for the year	**50,818**	64,640

9. DIVIDENDS

	2014 *HK$'000*	2013 *HK$'000*
Interim – HK6.00 cents (2013: HK6.20 cents) per ordinary share	**61,297**	63,340
Proposed final – HK6.00 cents (2013: HK6.30 cents) per ordinary share	**61,297**	64,361
	122,594	127,701

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,021,611,000 (2013: 1,021,611,000) in issue during the year.

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,021,611,000 (2013: 1,021,611,000), as used in the basic earnings per share calculation, and the weighted average number of ordinary shares of 2,668,779 (2013: 3,062,111) assumed to have been issued at no consideration on the deemed exercise of all share options into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	2014 *HK$'000*	2013 *HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**207,368**	274,204

	Number of shares **2014**	 2013
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,021,611,000**	1,021,611,000
Effect of dilution – weighted average number of ordinary shares:		
Share options	**2,668,779**	3,062,111
	1,024,279,779	1,024,673,111

11. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on cash and credit card settlement. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of the reporting period, based on the payment due date and that are not individually nor collectively considered to be impaired, is as follows:

	2014	2013
	HK$'000	*HK$'000*
Neither past due nor impaired	**15,110**	11,802
Less than 1 month past due	**9,045**	8,236
1 to 3 months past due	**4,132**	4,135
Over 3 months past due	**4,683**	4,023
	32,970	28,196

12. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2014	2013
	HK$'000	*HK$'000*
Within 1 month	**155,350**	164,506
1 to 2 months	**7,908**	8,402
2 to 3 months	**1,238**	4,440
Over 3 months	**5,529**	5,299
	170,025	182,647

The trade payables are non-interest-bearing and generally with payment terms within 60 days.

OTHER INFORMATION

Dividend

In acknowledging continuous support from the Company's shareholders, the Directors have declared the payment of a final dividend of HK6.00 cents per ordinary share in respect of the year ended 31 December 2014, payable on 12 June 2015 to shareholders whose names appear on the register of member of the Company on 29 May 2015.

Closure of Register of Members

The register of members of the Company will be closed during the following periods:

(i) From Monday, 18 May 2015 to Thursday 21 May 2015, both days inclusive, for the purpose of ascertaining shareholders' entitlements to attend and vote at the 2014 Annual General Meeting. In order to be eligible to attend and vote at the 2014 Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 15 May 2015; and

(ii) From Monday, 1 June 2015 to Friday, 5 June 2015, both days inclusive, for the purpose of ascertaining shareholders' entitlements to the proposed final dividend. In order to establish the entitlements to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 29 May 2015.

During the periods mentioned in sub-paragraphs (i) and (ii) above, no transfer of shares will be registered.

Corporate Governance

During the year ended 31 December 2014, the Company has complied with all the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules.

Model Code of Securities Transactions by Directors

The Company has adopted the model code as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealings in securities of the Company by the directors (the "**Code**"). The Company, having made specific enquiry of all Directors, confirms that its Directors had compiled with the required standard set out in the Code throughout the year ended 31 December 2014.

Purchase, Sale or Redemption of Listed Securities

During the year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

Audit Committee

The Company established the Audit Committee on 9 June 2007 with written terms of reference in compliance with the Code on Corporate Governance Practices as set forth in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee include the review and supervision of the financial reporting processes, the internal control systems and licensing issues of the Group. Currently, Mr. Mak Hing Keung, Thomas, Mr. Li Tze Leung and Professor Chan Chi Fai, Andrew, all being Independent Non-executive Directors and Mr. Chan Yue Kwong, Michael, a Non-executive Director, are members of the Audit Committee with Mr. Mak Hing Keung, Thomas, being the chairman.

The Company's annual results for the year ended 31 December 2014 have been reviewed by the Audit Committee, which opines that applicable accounting standards and requirements have been complied with and that adequate disclosures have been made.

The Audit Committee of the Company has met the external auditors of the Company, Messrs, Ernst and Young, and reviewed the Group's results for the year ended 31 December 2014.

Annual General Meeting

The 2014 Annual General Meeting of the Company will be held on Thursday, 21 May 2015. Notice of the 2014 Annual General Meeting will be published and issued to shareholders in due course.

Disclosure of information on the Stock Exchange's website

The electronic version of this announcement will be published on the website of the Stock Exchange (*www.hkexnews.hk*) and the website of the Company (*www.taoheung.com.hk*).

By order of the Board
Chung Wai Ping
Chairman

Hong Kong, 19 March 2015

As at the date of this announcement, the board of directors of the Company comprised 12 directors, of which six are executive directors, namely 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; two are non-executive directors, namely Mr. Fong Siu Kwong and Mr. Chan Yue Kwong, Michael and four are independent non-executive directors namely Mr. Li Tze Leung, Professor Chan Chi Fai, Andrew, Mr. Mak Hing Keung, Thomas and Mr. Ng Yat Cheung