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 2016

HIGHLIGHTS

	For the year ended 31 December		Increase/ (Decrease) in
	2016	2015	**%**
	(HK$'000)	*(HK$'000)*	
Revenue	**4,287,166**	4,546,478	(5.7%)
Profit after tax	**171,926**	161,362	6.5%
Profit attributable to owners of the parent	**177,845**	171,323	3.8%
	HK cents	*HK cents*	
Basic earnings per share	**17.47**	16.77	4.2%
Proposed final dividend per share	**6.0**	6.0	–
Proposed special dividend per share	**4.0**	–	–
No. of restaurants and bakery outlets at 31 December	**161**	166	
No. of restaurants and bakery outlets at announcement date	**160**	163	

* *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 hereby present the annual results of the Group for the year ended 31 December 2016.

Despite the generally difficult business conditions and economic-slowdown in Hong Kong and Mainland China, we were able to achieve a number of objectives, including diversify our business, open multi-purpose complexes in Dongguan, unveil Tai Cheong outlets overseas, and not the least of which, celebrate our 25th anniversary. All of these achievements have one common connection: our long-standing commitment to providing customers with good-value, and quality products. This commitment will continue going forward, all the while seizing fresh opportunities, overcoming adversities and refining our strategies to fully optimise our various strengths.

M.I.S.S.: COMMENCEMENT OF OUR FIVE-YEAR PLAN

In reaching our 25th anniversary milestone, we did more than just celebration; we took the opportunity to make a thorough assessment of where we stand, and more importantly, where we want to go. We subsequently developed a five-year plan for elevating the Group to the next level. This plan drew inspirations from Peter Drucker, regarded as the founder of modern management, who said, "Purpose of business is to create and keep a customer …" and "Marketing and innovation produce results; all the rest are costs…".

Building on his insight, we developed a four-pronged approach that is encapsulated in the acronym "M.I.S.S.", which stands for ***Marketing, Innovation, Service and Succession***. With respect to **Marketing**, we will seek to consolidate the Tao Heung brand while repositioning our ancillary brands for promoting and launching innovative products and dining ambiences in Hong Kong. In Mainland China, we will leverage O2O and e-commerce trends to attract the youth demographic, and thereby diversifying our revenue streams. Concurrently, we will promote Tao Heung to the general public and business customers as the preferred brand for banquets in China. By building our retail and wholesale operations, Tao Heung will thus be able to broaden its distribution channels, optimise production and capture greater market share. Given that we have our own state-of-the-art logistics centres, we certainly have sound support for fulfilling all of our business objectives.

Innovation is certainly an essential component of our five-year plan as well, especially in view of the rapid changes that the catering industry has undergone in the past few years. To achieve this we will continue to automate. Automation delivers key advantages including controlling costs and ensuring quality, which are exemplified by our centralised logistics centre. Moreover, it enables us to have the capacity to operate the packaged food (wholesale and retail) business, as well as explore other business opportunities. Aside from technology, innovation also involves changing the perspectives of our own staff; hence, we will call upon the management of each restaurant to take greater accountability of their premises and be "individual bosses" given that they all have individual strengths which should not be squandered. And we will duly support them through various incentive programmes. Besides internal development, we will continue to examine opportunities to cooperate with other catering brands, be it local or international, in order to launch themed restaurants that facilitate our horizontal integration.

As for the matter of **Service**, we have long been service-centric as evidenced by our strategies dating back to 1997, which expanded to streamlining operations and optimising businesses. We are now going back to our roots. As we are in the service sector, we will redouble efforts towards enhancing interaction with our customers, and this will start with encouraging our staff, particularly frontline, to leave a positive "wow" impression. We will place direct responsibility on the directors and managers of each restaurant to enhance service quality, and to support their efforts, we will implement an incentive programme for motivating staff. Our objective is to raise the bar for quality to a whole new level for both frontline and backend workers.

In respect of the final element of **Succession**, we will also be employing an integrated scheme complemented by apprenticeship, promotion and appraisal programmes to nurture and retain our valued staff members. These efforts will also go towards instilling a sense of belonging and camaraderie among employees, as well as enhancing their self-worth. As for attracting new talent to become frontline members of the Group, particularly the young generation, we will not only offer the aforementioned programmes, but also more appealing working hours with less overtime so as to have a break-through over one of the traditions in the Chinese catering industries. With the early introduction of central kitchen and automation, we believe we can standardise the working hours and let them enjoy a better work-life balance working environment.

With our five-year plan now set for implementation, we will be grasping business opportunities with added vigour. Though sustaining business growth remains our overriding objective, we also recognise that to lead the catering industry one can never be satisfied with maintaining the status quo.

APPRECIATION

On behalf of the Board, I wish to take this opportunity to express my utmost gratitude to the entire Tao Heung workforce for their hard work and dedication over the past year. I would also like to thank our many business partners, customers and shareholders for their unstinting support. I trust that the upcoming five-year period will begin a new and even more fruitful relationship between Tao Heung and our many customers.

Chung Wai Ping
Chairman

Hong Kong
30 March 2017

MANAGEMENT DISCUSSION AND ANALYSIS

Review

The Board hereby announces the annual results of the Group for the year ended 31 December 2016. During the financial year, slowing economic growth in Mainland China and Hong Kong, the former at a pace not seen since 1990 at 6.7%, resulted in persistently lacklustre consumption sentiment. The management has consequently employed an array of cost control measures to support the stable performance of the Group.

Financial Results

Owing to a harsh operating environment that directly impacted on consumer sentiment, total revenue of the Group amounted to HK$4,287.2 million for the year ended 31 December 2016, down from HK$4,546.5 million in 2015. Gross profit margin increased due to the implementation of strict cost controls. However, the Group incurred one-off expenses, including the written off and impairment of items of property, plant and equipment and advertising expenditures relating to its 25th anniversary that amounted to HK$19.2 million. Nevertheless, the combination of the aforementioned cost controls and a favourable tax policy in Mainland China resulted in a significant improvement in the Mainland China operations, as evidenced by a modest increase in the Group's profit after tax of 6.5% and the profit attributable to the owners of the parent amounted to HK$177.8 million (2015: HK$171.3 million). The Hong Kong operations remained the largest revenue contributor of the Group, accounting for 64.8% of total revenue (2015: 64.4%) while its Mainland China counterpart accounted for 35.2% (2015: 35.6%).

The Board has proposed a final dividend of HK6.0 cents (2015: HK6.0 cents) per share. To celebrate the 25th anniversary, a special dividend of HK4.0 cents is also proposed. Together with an interim dividend of HK6.0 cents per share already paid, the total dividend will be HK16.0 cents (2015: HK12.0 cents) per share, which represents a dividend payout ratio of 91.5% (2015: 71.6%).

Hong Kong Operations

Revenue derived from the Hong Kong operations amounted to HK$2,779.6 million (2015: HK$2,925.7 million) for the review year. Earnings before interest, taxes, depreciation and amortisation (EBITDA) totalled HK$293.7 million (2015: HK$334.2 million), while profit attributable to owners of the parent contracted by 16.8% to HK$139.4 million (2015: HK$167.5 million).

Aside from continuously weak consumption sentiment, increasing competition and high operating expenses, including rising rental costs in shopping malls found near large residential area and high labour cost have continued to affect members of the catering industry. However, owing to the management's ongoing efforts to streamline operations, the Group has been less severely affected by the aforementioned cost rises. To consolidate operations and increase operational efficiency, a number of restaurants were closed or have undergone restructuring. At the end of the review period, the total number of restaurants was reduced to 67 (2015: 71 shops), while the number of RingerHut and T Café 1954 establishments have remained unchanged. Correspondingly, total operating area has been reduced to 622,200 sq. ft (2015: 663,000 sq. ft) which consequently affected turnover.

Despite the difficult operating environment, the management has placed significant effort on diversifying the restaurant portfolio of the Group. RingerHut and T Café 1954 have continued to attract customers from different age groups. In respect of the Tai Cheong Bakery operation, a total of 23 shops (2015: 28 shops) are operating across the city as at 31 December 2016. Although revenue declined from HK$112.0 million in 2015 to HK$97.2 million in 2016, the management has been exploring various marketing strategies and possible collaborations with other retail brands to diversify its product offerings. It is worth noting that the first Tai Cheong Bakery in Singapore, located at the Takashimaya department store in Ngee Ann City, commenced operation on 1 July 2016 and a café in Holland Village has been in operation since 17 November 2016 – both shops generated profits during the start-up period. The management trusts that this joint partnership will provide stable revenue for the Group going forward.

Given the significant benefits that can be derived from cost controls, particularly apparent during challenging times, the management has closely examined all facets of operation to see where such controls can be best employed. At the same time, additional resources have been invested in the renovation of existing restaurants and promotional campaigns to enhance the Group's competitiveness and to generate greater profit in the long run. Also, a more prudent approach towards restaurant openings is being employed, with the objective of consolidating the Hong Kong operations.

Mainland China Operations

The slowing economy in Mainland China combined with fierce competition affected the Group's top-line performance in the review year, with revenue declining by 7.0% to HK$1,507.6 million (2015: HK$1,620.8 million). However, EBITDA increased from HK$204.8 million in 2015 to HK$241.6 million in 2016. Also, profit attributable to owners of the parent rose from HK$3.8 million in 2015 to HK$38.4 million as at 31 December 2016.

Owing to the changing macro environment in Mainland China, management took a more pragmatic approach to address conditions. As a result, a new business model was created, the centrepiece of which is an integrated complex consisting of a Chinese restaurant, self-owned supermarket, indoor playground, museum and shops, covering an area of over 22,000 sq.m. This family-oriented business model is targeted at middle- to high-income families who are able to access the complex by car (parking facilities are provided). As at 31 December 2016, two integrated complexes are in operation, while a third complex has been opened subsequent to the review year, i.e. January 2017. Originally, the properties were large-scale restaurants of the Group that have been transformed to its current state to optimise operational efficiency and draw in diversified revenue sources.

Also as a means of enhancing its competitiveness in Mainland China, management has continued to introduce technologies to different areas of operation, underscoring its ability to tackle challenges through lateral thinking. With costs continuing to climb due in part to a shortage in labour – the result of higher literacy rate across the country and greater job expectations – particularly in the catering industry, the Group has invested approximately HK$3.9 million in R&D, the result of which has included the launched of a robot, called "Robot Waiter", as well as two other automated machines, namely "Vegetable Frying Machine" and "Seafood Conveying Belt". Such technologies, which have been introduced to some of the Group's restaurants in the country, represent part of the management's long-term investment strategy for addressing the labour shortage.

Yet a further means of leveraging technology to bolster the Group's performance is through e-commerce, with customers now able to make payments via several mobile platforms. The Group also launches its own mobile application that has an "all in one" feature; enabling customers to obtain a queue number, booking, order food and settle their bill. The management is fully aware that technology is playing an important role in helping young people determine which restaurants they visit or order takeout. Seizing opportunities from this trend, the Group has also started to provide takeaway service through such platforms as, Meituan (美團) and ele.me (餓了嗎). Currently, the takeout business accounts for approximately 5% of segmental revenue, which the management trusts will increase to 8%–10% in the near future.

It is worth noting that during the review year, the Mainland China Government implemented a new tax policy, replacing the previous business tax with a value-added tax as part of its fiscal reform programme. This tax restructuring has benefitted the Group significantly as it has to other large-scale operators. In particular, operating costs are now lower for the Group, resulting in a significant improvement for its Mainland China operations. The management believes that the Group will continue to benefit from the policy in the coming years.

As at 31 December 2016, the Group operated 46 restaurants in Mainland China, representing a net increase of one restaurant over the preceding year. Furthermore, there are 23 Bakerz 180 outlets (2015: 22 outlets) in operation, which generated total revenue of HK$32.4 million (2015: HK$35.9 million) as at the close of 2016. The Bakerz 180 factory was closed down and its operation has been relocated to own logistic centre in Dongguan during the year, which has not only helped to reduce operating costs, but also centralised operations, thereby increasing production efficiency going forward.

Poultry and Peripheral Business

The poultry and peripheral business performed in a stable manner during the reporting year. Performing more favourably was the supermarket business which accounted for a sizeable proportion of segmental revenue. With the introduction of supermarkets by the Group, such operations will enable it to further expand the retail business.

Financial Resources and Liquidity

As at 31 December 2016, the Group's total assets decreased to approximately HK$2,559.2 million (2015: approximately HK$2,671.7 million) while the total equity was approximately HK$1,751.5 million (2015: approximately HK$1,788.0 million).

As at 31 December 2016, the Group had cash and cash equivalents of approximately HK$492.4 million. After deducting total interest-bearing bank borrowings of approximately HK$188.0 million, the Group had a net cash surplus position of approximately HK$304.4 million.

As at 31 December 2016, the Group's gearing ratio (defined as total interest-bearing bank borrowings plus finance lease payable divided by total equity attributable to owners of the parent) was 10.8% (2015: 15.7%).

Capital Expenditure

Capital expenditure for the year ended 31 December 2016 amounted to approximately HK$185.2 million and capital commitments as at 31 December 2016 amounted to approximately HK$35.7 million. The capital expenditure and capital commitments were mainly for the renovation of the Group's new and existing restaurants.

Contingent Liabilities

As at 31 December 2016, the Group had contingent liabilities in respect of bank guarantees given in lieu of rental and utility deposits amounting to approximately HK$23.0 million (2015: approximately HK$23.8 million).

Foreign Exchange Risk Management

The Group's sales and purchases for the year ended 31 December 2016 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 2016, the Group had 8,521 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 in-house 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 2016, approximately 3,220,000 options were outstanding under the Pre-IPO Share Option Scheme and no share options have been exercised during the year. Also, 20,130,000 options have been granted and accepted pursuant to the Share Option Scheme and 20,050,000 options were outstanding as at 31 December 2016. No share options have been exercised during the year.

Pledge of Assets

As at 31 December 2016, the Group pledged its bank deposits of approximately HK$12.7 million, leasehold land and buildings of approximately HK$87.4 million and investment properties of approximately HK$20.3 million to secure the banking facilities granted to the Group.

Prospects

Both the Hong Kong and Mainland China markets are expected to remain challenging as the global economic downturn persists. Compounding matters for Mainland China will be even slower economic growth, which the International Monetary Fund forecasts will expand by 6.5% in 2017. Hong Kong will continue to experience headwinds as well with the economy growing at between 2–3% according to government estimates, though a possible modest improvement over the 2.1% average that the city has been experiencing over the past three years. The Group will therefore introduce a number of strategies to address the unique condition of each market.

Though consolidation will be the overriding strategy for both the Hong Kong and Mainland China operations as the management aims to raise the efficiency of the Group's business as a whole, it will nonetheless consider opening two to three new restaurants in Hong Kong and up to four restaurants in Mainland China in the coming year. In Hong Kong, the management will also actively seek opportunities for collaboration – initiating joint ventures that bring renowned brands to the city so as to diversify its revenue streams. Already on the table is the launch of Du Hsiao Yueh, a famous Taiwanese restaurant, to open its first branch in Hong Kong in 2017. As for the Mainland China operations, the Group will continue to enhance its e-commerce capabilities, which will include the promotion of a self-developed "Tao Heung App" that will also have an all in one feature. Furthermore, the Group will continue to bolster its takeaway service given the positive uptake over the past year. As for the peripheral business, besides expanding the retail sales from our own supermarkets, the Group will be collaborating with some renowned supermarket operators to supply OEM products in Mainland China, thus creating a new revenue stream for the Group.

The Group remains optimistic about its business development overseas and will continue to expand outside of its traditional markets. Through Tai Cheong bakery, it will leverage its cross-border partnership in Singapore to open up to five stores in the republic in the coming years, followed by Malaysia. The management will also actively explore any opportunities in collaborating with local and overseas catering brands in order to attract new customers and facilitate our growth in the future.

Looking ahead, the management will place tremendous effort on diversifying the Group's existing business portfolio all the while being mindful of achieving sustainable growth. It will also leverage all of the Group's competitive edges to grasp emerging opportunities, and thereby access new revenue streams and delivering greater returns to its shareholders.

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 2016, together with the comparative figures for the year ended 31 December 2015 as follows:

Consolidated Statement of Profit or Loss
For the year ended 31 December 2016

	Notes	**2016** *HK$'000*	2015 *HK$'000*
REVENUE	*4*	**4,287,166**	4,546,478
Cost of sales		**(3,766,225)**	(4,049,234)
Gross profit		**520,941**	497,244
Other income and gains, net	*4*	**19,502**	26,462
Selling and distribution expenses		**(114,605)**	(105,497)
Administrative expenses		**(191,966)**	(195,100)
Other expenses		**(12,743)**	(19,682)
Finance costs	*5*	**(5,185)**	(4,618)
Share of profits/(losses) of associates		**512**	(2)
PROFIT BEFORE TAX	*6*	**216,456**	198,807
Income tax expense	*7*	**(44,530)**	(37,445)
PROFIT FOR THE YEAR		**171,926**	161,362
Attributable to:			
Owners of the parent		**177,845**	171,323
Non-controlling interests		**(5,919)**	(9,961)
		171,926	161,362
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic (HK cents)	*9*	**17.47**	16.77
– Diluted (HK cents)	*9*	**17.46**	16.74

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2016

	2016	2015
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**171,926**	161,362
OTHER COMPREHENSIVE INCOME		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(77,943)**	(54,931)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**93,983**	106,431
Attributable to:		
Owners of the parent	**100,548**	117,024
Non-controlling interests	**(6,565)**	(10,593)
	93,983	106,431

Consolidated Statement of Financial Position
As at 31 December 2016

	Notes	**2016** *HK$'000*	2015 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**1,323,107**	1,468,003
Prepaid land lease payments		**90,483**	77,010
Investment properties		**24,100**	21,900
Goodwill		**38,803**	39,903
Other intangible asset		**1,039**	1,223
Investments in associates		**4,014**	1,248
Biological assets		**2,989**	3,600
Deferred tax assets		**87,589**	87,532
Rental deposits		**99,889**	112,102
Deposits for purchases of items of property, plant and equipment		**52,628**	142,086
Total non-current assets		**1,724,641**	1,954,607
CURRENT ASSETS			
Inventories		**143,607**	144,265
Biological assets		**6,189**	15,049
Trade receivables	*10*	**31,003**	25,735
Prepayments, deposits and other receivables		**141,859**	114,304
Tax recoverable		**6,805**	7,216
Pledged deposits		**12,660**	13,083
Cash and cash equivalents		**492,449**	397,453
Total current assets		**834,572**	717,105
CURRENT LIABILITIES			
Trade payables	*11*	**215,391**	159,831
Other payables and accruals		**261,187**	286,114
Derivative financial instrument		**–**	1,241
Interest-bearing bank borrowings		**179,429**	194,021
Finance lease payable		**189**	202
Tax payable		**19,113**	21,995
Total current liabilities		**675,309**	663,404
NET CURRENT ASSETS		**159,263**	53,701
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,883,904**	2,008,308

	Notes	**2016**	2015
		HK$'000	*HK$'000*
NON-CURRENT LIABILITIES			
Other payables and accruals		**84,313**	94,804
Interest-bearing bank borrowings		**8,597**	85,451
Finance lease payable		**157**	354
Due to non-controlling shareholders of subsidiaries		**22,474**	22,747
Deferred tax liabilities		**16,875**	16,943
Total non-current liabilities		**132,416**	220,299
Net assets		**1,751,488**	1,788,009
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**101,661**	102,161
Reserves		**1,650,229**	1,679,685
		1,751,890	1,781,846
Non-controlling interests		**(402)**	6,163
Total equity		**1,751,488**	1,788,009

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 and the disclosure requirements of the Hong Kong Companies Ordinance. They 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 ("**HK$**") 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 new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012–2014 Cycle	Amendments to a number of HKFRSs

The adoption of the above new and revised HKFRSs has had no significant financial effect on the consolidated financial statements.

3. 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 2016 and 2015, and certain non-current asset information as at 31 December 2016 and 2015, by geographic area.

(a) Revenue from external customers

	2016	2015
	HK$'000	*HK$'000*
Hong Kong	**2,779,579**	2,925,680
Mainland China	**1,507,587**	1,620,798
	4,287,166	4,546,478

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

(b) Non-current assets

	2016	2015
	HK$'000	*HK$'000*
Hong Kong	**510,378**	573,954
Mainland China	**1,026,785**	1,181,019
	1,537,163	1,754,973

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

4. REVENUE, OTHER INCOME AND GAINS, NET

Revenue represents gross revenue from restaurant, bakery and poultry farm operations and net invoiced value of food and other items sold, after deduction of relevant taxes and allowances for trade discounts.

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

	2016	2015
	HK$'000	*HK$'000*
Revenue		
Restaurant and bakery operations	**4,054,580**	4,288,386
Sale of food and other items	**150,559**	143,296
Poultry farm operations	**82,027**	114,796
	4,287,166	4,546,478
Other income and gains, net		
Bank interest income	**5,371**	3,152
Changes in fair value less costs to sell of biological assets	**–**	1,846
Fair value gains on investment properties	**2,200**	4,600
Gain on disposal of items of property, plant and equipment, net	**–**	900
Government grants	**2,916**	644
Gross rental income from investment properties	**412**	421
Sponsorship income	**3,725**	4,305
Net gain on settlement of a derivative financial instrument	**142**	–
Fair value gain on derivative financial instrument – transaction not qualifying as a hedge	**–**	4,980
Others	**4,736**	5,614
	19,502	26,462

5. FINANCE COSTS

	2016	2015
	HK$'000	*HK$'000*
Interest on bank loans	**5,172**	4,598
Interest on finance leases	**13**	20
Total interest expense on financial liabilities not at fair value through profit or loss	**5,185**	4,618

6. PROFIT BEFORE TAX

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

	2016	2015
	HK$'000	*HK$'000*
Cost of inventories sold	**1,386,858**	1,519,237
Depreciation*	**315,327**	337,491
Amortisation of land lease payments*	**1,909**	1,752
Amortisation of intangible asset	**82**	88
Employee benefit expense* (including directors' remuneration):		
Salaries and bonuses	**1,104,040**	1,178,546
Retirement benefits scheme contributions (defined contribution schemes)	**77,231**	81,077
Equity-settled share option expense	**586**	–
	1,181,857	1,259,623
Lease payments under operating leases*:		
Minimum lease payments	**366,195**	369,484
Contingent rents	**6,792**	6,795
	372,987	376,279
Changes in fair value less costs to sell of biological assets	**511**	(1,846)
Loss/(gain) on disposal of property, plant and equipment, net	**27**	(900)
Impairment of items of property, plant and equipment#	**3,307**	10,348
Write-off of items of property, plant and equipment	**8,898**	4,158
Net loss/(gain) on derivative financial instruments	**(142)**	4,201
Foreign exchange differences, net	**4,111**	2,918

* The cost of sales for the year amounting to HK$3,766,225,000 (2015: HK$4,049,234,000) included depreciation charges of HK$295,934,000 (2015: HK$315,159,000), amortisation of land lease payments of HK$1,909,000 (2015: HK$1,752,000), employee benefit expense of HK$1,083,372,000 (2015: HK$1,163,563,000) and operating lease rentals of HK$372,738,000 (2015: HK$375,046,000).

\# Impairment of items of property, plant and equipment was included in "Other expenses" in the consolidated statement of profit or loss.

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 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.

	2016	2015
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**29,275**	36,133
Overprovision in prior years	**(503)**	(403)
Current – Mainland China	**16,056**	6,768
Deferred	**(298)**	(5,053)
Total tax charge for the year	**44,530**	37,445

8. DIVIDENDS

	2016	2015
	HK$'000	*HK$'000*
Interim – HK6.00 cents (2015: HK6.00 cents) per ordinary share	**60,997**	61,297
Proposed special – HK4.00 cents (2015: Nil) per ordinary share	**40,664**	–
Proposed final – HK6.00 cents (2015: HK6.00 cents) per ordinary share	**60,997**	61,297
Adjustment to 2015 final dividend*	**(300)**	–
	162,358	122,594

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

* The adjustment was made due to shares repurchased prior to the payment of 2015 final dividend.

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

The calculation of the basic earnings per share amount 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 1,017,922,475 (2015: 1,021,611,000) in issue during the year.

The calculation of the diluted earnings per share amount 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 1,017,922,475 (2015: 1,021,611,000), as used in the basic earnings per share calculation, and the weighted average number of ordinary shares of 665,151 (2015: 1,809,766) assumed to have been issued at no consideration on the deemed conversion of all share options into ordinary shares.

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

	2016	2015
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**177,845**	171,323

	Number of shares	
	2016	2015
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,017,922,475**	1,021,611,000
Effect of dilution – weighted average number of ordinary shares:		
Share options	**665,151**	1,809,766
	1,018,587,626	1,023,420,766

10. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on cash and credit card settlement. The Group also grants a credit period between 30 to 90 days to certain customers. 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 invoice date, is as follows:

	2016	2015
	HK$'000	*HK$'000*
Within 1 month	**19,607**	16,188
1 to 3 months	**7,101**	5,124
Over 3 months	**4,295**	4,423
	31,003	25,735

11. 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:

	2016	2015
	HK$'000	*HK$'000*
Within 1 month	**167,052**	140,987
1 to 2 months	**23,923**	9,831
2 to 3 months	**8,699**	4,878
Over 3 months	**15,717**	4,135
	215,391	159,831

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 special dividend of HK4.00 cents and a final dividend of HK6.00 cents per ordinary share in respect of the year ended 31 December 2016, payable on 7 June 2017 to shareholders whose names appear on the register of member of the Company on 31 May 2017.

Closure of Register of Members

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

(i) From Friday, 19 May 2017 to Thursday 25 May 2017, both days inclusive, for the purpose of ascertaining shareholders' entitlements to attend and vote at the 2016 Annual General Meeting. In order to be eligible to attend and vote at the 2016 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 Thursday, 18 May 2017; and

(ii) On Thursday, 01 June 2017, for the purpose of ascertaining shareholders' entitlements to the proposed special and final dividend. In order to establish the entitlements to the proposed special and 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 Wednesday, 31 May 2017.

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 2016, 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 for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set forth in Appendix 10 of the Listing Rules as its own code of conduct for dealing in securities by the Directors of the Company. Based on specific enquiry with the Directors, all the Directors have complied with the required standards as set forth in the Model Code throughout the year ended 31 December 2016.

Purchase, Sale or Redemption of Listed Securities

During the year ended 31 December 2016, the Company has repurchased a total of 5,000,000 shares on the Stock Exchange. Details of the repurchase are disclosed as follows:

Date of Repurchase	Number of Shares Repurchased	Repurchase Price Per Share	
		Highest	Lowest
6 April 2016	5,000,000	HK$1.80	HK$1.80

The above repurchased shares were cancelled and the issued share capital of the Company was reduced by the nominal value of these shares accordingly. The premium and transaction costs paid on the repurchase of the shares of HK$8,500,000 and HK$95,923 respectively were charged to the Group's share premium account.

Saved as disclosed above, there were no other purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries during the period.

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 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 2016 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, Ernst & Young, and reviewed the Group's annual results for the year ended 31 December 2016.

Annual General Meeting

The 2016 Annual General Meeting of the Company will be held on Thursday, 25 May 2017. Notice of the 2016 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, 30 March 2017

As at the date of this announcement, the board of directors of the Company comprised 9 directors, of which four are executive directors, namely Mr. Chung Wai Ping, Mr. Wong Ka Wing, Mr. Leung Yiu Chun and Mr. Ho Yuen Wah; two are non-executive directors, namely Mr. Fong Siu Kwong and Mr. Chan Yue Kwong, Michael and three are independent non-executive directors namely Professor Chan Chi Fai, Andrew, Mr. Mak Hing Keung, Thomas and Mr. Ng Yat Cheung