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 2009

HIGHLIGHTS

	For the year ended 31 December		% Change
	2009	2008	Increase/
	(HK$'000)	*(HK$'000)*	(Decrease)
Revenue	**2,610,410**	2,444,316	6.8%
EBITDA	**420,236**	362,122	16.0%
Profit attributable to shareholders of the Company	**208,530**	189,129	10.3%
Basic earnings per share (HK cents)	**20.54**	18.64	10.2%
Proposed final dividend per share	**6.3**	4.5	40%
Proposed special dividend per share	**–**	1.5	N/A
No. of restaurants (at 31 December)	**74**	65	

* *For identification purposes only*

CHAIRMAN'S STATEMENT

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Tao Heung Holdings Limited (the "Company" and together with its subsidiaries, "**Tao Heung**" or the "**Group**"), I am pleased to present the annual results of the Group for the year ended 31 December 2009.

Despite a year fraught with challenges, Tao Heung continued to achieve steady growth. The financial downturn which commenced in late 2008 persisted throughout the first half of 2009 and combined with the H1N1 outbreak at the start of the year resulted in a severe erosion of consumer confidence, leading to reduced spending in the catering industry. However, as value for money became the main focus among mass market restaurant goers, our ability to cater for such demand allowed us to capture opportunities. Using various promotions and marketing strategies, the Group maintained steady customer traffic, resulting in an increase in revenue of 6.8% to around HK$2,610 million. While our marketing efforts helped consolidate Tao Heung's leading position in the hearts and minds of consumers, ongoing expansion of our restaurant network across Hong Kong and Mainland China reinforced the Group's physical presence in the territory. By upholding our motto of "Delicious and Good Value" through "Quality Food, Quality Service and Quality Environment", we believe Tao Heung will maintain steady progress in the future.

For the year under review, we continued to realise stable growth even though the operating conditions in Hong Kong and Mainland China remained volatile. Utilising our Dongguan Logistics Centre to deliver more food products to our restaurants in both Hong Kong and Mainland China, and by generating synergies between the centre and the Fotan counterpart, we were able to raise the efficiency of our restaurants on both sides of the border. In addition, successful cost control measures were employed to enhance the efficiency of our back offices and branches which improved our profitability as evident in our slightly enhanced gross margin and a remarkable increase in EBITDA by 16.0% to approximately HK$420 million. Profit attributable to equity holders reached approximately HK$209 million, representing a growth of 10.3% as compared to last year.

Along with the increase in profitability, the Group's net cash position remained healthy, allowing us to undertake future expansion and investment objectives. In appreciation for the continuous support of our equity holders, I recommend that the Board approve the payment of a final dividend of HK6.3 cents per share. Together with an interim dividend of HK4.65 cents per share and special dividend of HK1.55 cents per share paid during the year, total dividend per share will amount to HK12.5 cents for the financial year, representing a payout ratio of 60.9%.

Further expansion and marketing strategies sustained growth in Hong Kong

We continued to realise growth in Hong Kong despite the economic slump and the fact that four restaurants were closed temporarily due to renovation of shopping malls. In 2009, the Hong Kong operation recorded revenue of approximately HK$2,159 million, up 5.5% from a year earlier.

The rise in income can partly be attributed to the effective marketing promotions and strategies launched during the year which proved successful in maintaining customer traffic during times when spending sentiment was poor. Our signature "One Dollar Chicken" campaign generated the most attention in the market and was a topic of conversation. In addition, a series of marketing programmes featuring different brands of the Group including "火焗一代宗師" for our flagship brands of Tao Heung and Tao Heung Pier 88, "客家真味" for Hak Ka Hut, and "團聚就是力量" for Chao Inn were conducted during the year. These programmes further enhanced awareness of these brands and strengthened our competitive edges. Most importantly, these activities will enable the Group to capitalise on the gradual economic recovery in 2010. The fact that we remained optimistic about the local market and to capture the opportunities presented to us during the difficult times, nine new restaurants were opened during the year.

Dedicated to diversifying the Group's business, we acquired an additional 60% interest in Tai Cheong Bakery in March 2009 and became the single largest shareholder of Tai Cheong. This acquisition will enable us to further develop a new line of business, bakery business through shop expansion, and more importantly, realise the full potential of synergies generated between Tai Cheong Bakery and Tao Heung's restaurant network in the future. Moreover, the Group's festive food and packaged goods will enjoy an expanded distribution channel that is expected to bring in a higher degree of business diversification for Tao Heung as a whole.

Greater efficiency and expanded presence reaped rewards in China market

Steady progress was made by our Mainland China business during the year, also aided by the Dongguan Logistics Centre which achieved higher utilisation rate which, in turn raised the overall efficiency of our restaurants' operations. More promising was the success in achieving operational breakeven (breakeven before depreciation) for our Dongguan Logistics Centre in its second full year of operation and the management is confident that we can honour our promise to achieve total breakeven in 2010.

Following the outbreak of the global financial crisis in late 2008, Tao Heung's Mainland China operation faced highly unfavourable operating conditions – the result of more cautious consumer sentiment. Among all locations that the Group operated in, Dongguan was most severely hit by the crisis, having experienced numerous factory closures. Consequently, the management sought to slow down the Group's expansion drive, and only one restaurant was opened in 2009. However, the five outlets that were opened in 2008 contributed revenue on a full-year basis and such contributions helped increase total revenue from the Mainland China business by 13.7% to approximately HK$451 million.

With government measures aimed at promoting domestic demand and increasing welfare benefits subsequently implemented, the Mainland China economy was among the quickest to recover, as evidenced by GDP growth of 8.7% in 2009. Consumption associated with the hotel and catering sectors for the year amounted to RMB1,799.8 billion, representing a year-on-year increase of 16.8%. Despite steady growth within the catering sector in 2009, the management remained cautious about the market recovery as the economy was still affected by the financial crisis. However, considering the essential nature of the catering consumption, the catering segment is expected to possess high growth potential in the long run and the Group will quicken its expansion drive within Mainland China in 2010 so as to capitalise on opportunities associated with the economic upturn.

Our effort in developing our presence and brand awareness in Mainland China was well recognized by the recent awards we have received, highlighted by: "Top 500 Quality Brands in China 2009 (2009年度中國品質500強) — Commercial Services Industry (Top 50 brands)" organised by *Consumption Daily* (消費日報), *Phoenix Weekly • Lifestyle under Phoenix Satellite Television* (鳳凰衛視•鳳凰週刊•生活) and *China Quality Brands Website* (www.china12365.com) and the first "Top 500 Overseas Chinese Merchants in China's Market (Mainland)" organized by *Ta Kung Pao* and *Global Chinese Entrepreneur* 《海外文摘》寰球華商雜誌*, demonstrating the Group's outstanding business performance in Mainland China. Such awards not only remind us of our customers' expectations, but also strengthen our confidence to further expand our presence in the Mainland China market.

Outlook

The upcoming year will continue to present stiff challenges to the Group as we anticipate inflationary pressures brought on by the reviving stock and property markets. Costs associated with rent, food and labour may increase, thus cause potential impact on the food catering industry. Nevertheless, we will seek to bolster the efficiency of our Dongguan Logistics Centre in the coming years to strengthen our competitive edges, specifically leveraging economies of scale and direct purchases from the source of origin as well as supreme quality and food safety control. These advantages will enable us to shape up our businesses for overcoming market adversity and for embracing the opportunities ahead.

Despite this seemingly uncertain operating environment, we remain cautiously optimistic about Tao Heung's growth potential in the coming year. We will continue our course of expansion in Hong Kong, scheduling to add as many as eight outlets in 2010. In Mainland China, three-to-four restaurants are likely to be added in view of the steady economic recovery. As part of this expansion, a premium brand for banquets will be introduced in Shenzhen and will target the wedding banquet market which holds significant potential in the territory. By keeping the current pace of expansion, we are optimistic about our chain reaching 100 restaurants during our first "Five-Year Plan" after our IPO and the management is formulating a second "Five-Year Plan" to open another 50 restaurant outlets by the end of 2016. To better prepare for the opportunities and challenges ahead, we will continue to solidify our foundation.

As our logistics centres play a paramount role in supporting our long term expansion plan and in view of the full capacity of the existing Fotan Logistics centre , we will invest approximately HK$250 million in setting up a new facility in Tai Po Industrial Estate in Hong Kong. Expected to be completed by 2011, its large capacity, a five-fold increase over the Fotan Logistics Centre, will enable the Group to accommodate the expansion of our restaurant, bakery and peripheral businesses over the next ten years.

Appreciation

On behalf of the Board, I would like to extend my gratitude to the management and staff for their dedication and unwavering effort over the past year. I also wish to express my appreciation to our customers and business partners for their continuing support. We look forward to building on the Group's successes and generate greater returns for our shareholders.

Chung Wai Ping
Chairman

Hong Kong
30 March 2010

MANAGEMENT DISCUSSIONS AND ANALYSIS

The Board is pleased to announce the Group's annual results for the year ended 31 December 2009. Despite volatile economic conditions encountered during the year under review, Tao Heung was able to maintain steady business growth and enhanced profitability. This has been attributable to the Group's ability to generate synergies between its logistics centres in Hong Kong and Dongguan, stringent cost control measures supported by all staff members as well as the successful use of marketing campaigns to maintain customer traffic.

Financial Results

Even though faced with challenging economic conditions, the Group was able to realise modest gains from its various business interests during the year under review. For the year under review, the Group recorded total revenue of HK$2,610 million, representing a year-on-year increase of 6.8%. Such growth was attributed to the opening of 10 new shops — nine in Hong Kong and one in Mainland China during the year, offsetting by the temporary closure of four restaurants in Hong Kong resulting from shopping malls renovations. Among those restaurants, two have already resumed operations in February this year and the other two will be reopened in the second quarter which will accelerate our growth momentum for 2010. Further means of raising revenue was the significant use of promotions to attract customers, which is also consistent with the Group's core business philosophy of delivering "Delicious and Good Value for Money" food.

Gross profit margin rose moderately while profit before tax increased by 11.9% to approximately HK$256 million (2008: HK$229 million). Profit attributable to equity holders rose by 10.3% to approximately HK$209 million, representing a net profit margin of 8.0%, with a 0.3 percentage points increase compared to last year. Enhanced profitability was mainly due to increasing bulk purchase directly from local sources which helped reduce production cost, as well as increased food supply from the Group's logistics centres, thereby raising efficiency.

Hong Kong Operations

The Group's Hong Kong business achieved revenue growth of 5.5% to approximately HK$2,159 million, despite the temporary closure of four restaurants as mentioned. Nine new outlets were opened in strategic locations across Hong Kong during the year, even in the face of the economic downturn. Among the openings included one HIPOT branch unveiled in Jordan in late 2009 and one more was added in Causeway Bay in early 2010. Together with the first store opened in Kwun Tong in 2008, the brand's coverage in the territory was reinforced. The HIPOT brand has been well received by young customers, and the new brand aim to capture an even greater share of this consumer segment. Through a more causal dinning concept and relatively simple operation model, management is confident to develop this brand into a sizable speciality restaurant chain in a few years time. Complementing the Group's expansion effort were the use of signature and innovative promotional campaigns that proved successful in maintaining customer traffic even as consumption sentiment was particularly poor in early 2009. Such campaigns included Tao Heung's signature "One Dollar Chicken" as well as the launch of various promotions for complimentary dishes.

Apart from restaurant business, the Group was able to vastly expand its bakery business, Tai Cheong Bakery, with three new outlets established in Hong Kong during the year. As at 31 December 2009, the Group operated 11 stores in Hong Kong and Macau. Moreover, the image of Tai Cheong Bakery was revamped, adopting a more modern and fashionable style to attract younger customers. The products range was also expanded and new packaging was introduced to tap the tourist market. By capitalising on the Group's logistic centres for the supply of more raw materials and products, Tai Cheong's network will expand further, with approximately five to six outlets target to be opened in 2010, providing greater revenue and profit contributions to the Group.

For the year under review, net profit margin of the Hong Kong business increased slightly to 8.4%, up from 8.0% in 2008, while profit attributable to equity holders increased 10.4% to approximately HK$181 million (2008: HK$164 million). Improved profitability was due partly to more food supplied to the Group's Hong Kong restaurants from the two logistics centres, accounting for approximately half of the total food components purchased. The increase in food supply by both logistic centres enabled the Group to realise greater cost efficiencies, and reduced the labour pressure for the traditional Chinese fine dinning business as less skilled chefs are required to operate the restaurants. Further aiding profitability was the successful employment of effective cost control measures through the dedication and unwavering effort of all our staff force to enhance the efficiency of both back offices and branches.

Mainland China Operations

Mainland China business generated revenue of approximately HK$451 million, up 13.7% year on year, accounting for 17.3% of the Group's total turnover. A total of 13 restaurants were in operation during the year, while five outlets that were opened in 2008 commenced full-year income contribution in 2009, attributing to the satisfactory turnover increase. Only one new restaurant was added in 2009 as the Group strategically sought to slow down its expansion drive on account of the volatile operating environment in the territory resulting from the financial turmoil.

Profit attributable to equity holders increased 8.0% to approximately HK$27 million (2008: HK$25 million) and can be attributed to increased revenue from restaurants as well as enhanced efficiency from higher utilisation rate achieved at the Dongguan Logistics Centre. In the year to come, the Group will resume its expansion effort in Southern China as the management expects the Mainland China market to recover at a faster pace than Hong Kong.

Logistics Centres

The logistics centres in Fotan and Dongguan continued to deliver effective cost savings for the Group as measures aimed at raising efficiency achieved quantifiable results. Increased bulk purchasing of food ingredients from their sources resulted in reduced costs, higher efficiency and greater quality assurance. In addition, the Dongguan Logistics Centre continued to supply more food products to all of our restaurants. Among the benefits of both activities was the enhancement of overall margin.

The Dongguan Logistics Centre achieved operational breakeven point (breakeven before depreciation) in 2009, reaching average output of approximately 600 tonnes per month. The target output at Dongguan is 800 tonnes per month by the end of 2010 by which time the Group will be able to achieve a wholly breakeven point for the logistics centre.

In Hong Kong, the Fotan Logistics Centre is now fully utilised. To satisfy the increasing food processing demand of the Hong Kong restaurant network and to further strengthen our foundation for meeting the challenges ahead in the second "Five-Year Plan" of the Group. Tao Heung has purchased a plant in Tai Po Industrial Estate which will be converted into a 200,000 square feet logistics centre with five times the production capacity of its Fotan counterpart. The total investment is estimated around HK$250 million and will be funded internally taking into account of our strong financial position and for generating better returns on our cash resources. Once the Tai Po facility commences operation in 2011, the management expects it to work seamlessly with the Dongguan Logistics Centre, establishing a wider platform for the Group's future business expansion.

Peripheral Business

For the year under review, the peripheral business achieved stable growth with revenue up 20.9% to approximately HK$52 million (2008: HK$43 million), though still accounting for a relatively modest amount of the Group's total turnover.

The chilled food trading business, which includes products such as meal boxes, sweet soup (Chinese dessert), Chinese buns and dim sums, were supplied to a greater number of supermarkets and food caterers inline with the Group's expanded customer portfolio. For the first time, Tao Heung branded pre-packing chilled food ("稻香誠製") was sold at some of our Hong Kong and Mainland China branches and Products Expo, achieving satisfactory results.

Financial Resources and Liquidity

The Group maintained a strong financial and liquidity position during the year under review. As at 31 December 2009, the Group's total assets increased to approximately HK$1,446 million (2008: approximately HK$1,359 million) while the total equity increased to approximately HK$1,128 million (2008: approximately HK$1,032 million).

As at 31 December 2009, the Group had cash and cash equivalents of approximately HK$428 million. After deducting total interest-bearing bank borrowings of approximately HK$28 million, the Group had a net cash surplus position of approximately HK$400 million. In view of its cash-rich position, the Group continues to explore potential investments or business development opportunities to deploy its cash resources with an aim to enhance the Group's profitability and values to its shareholders.

As at 31 December 2009, the Group's gearing ratio (defined as total interest-bearing bank borrowings plus finance lease payable divided by total shareholders' equity) was reduced to 2.5% (2008: 4.6%).

Capital Expenditure

Capital expenditure for the year ended 31 December 2009 amounted to approximately HK$176 million and capital commitments as at 31 December 2009 amounted to approximately HK$81 million. The capital expenditure were mainly for the renovation of the Group's new and existing restaurants while the capital commitments relate to the acquisition of the lease of the factory buildings in Tai Po Industrial Estate.

Material Acquisition

On 10 December 2009, a wholly-owned subsidiary of the Company entered into a provisional sale and purchase agreement with a third party to acquire a lease of all those Subsection 5 of Section M of Tai Po Town Lot No. 1 and Section A of Tai Po Town Lot No. 13 & Extensions Thereto and the Remaining Portion of Further Extensions to Tai Po Town Lot No. 13 & the Extension Area Thereto, together with the Buildings thereon, No. 18-20 Dai Fat Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong for an aggregate consideration of approximately HK$88 million, which included a cash consideration of approximately HK$74 million and the administrative fees of approximately HK$14 million. The acquisition was completed on 25 March 2010. Please refer to the announcement of the Company dated 10 December 2009 for detailed information on the acquisition.

Contingent Liabilities

As at 31 December 2009, the Group had contingent liabilities in respect of bank guarantees given in lieu of rental and utility deposits amounting to approximately HK$28 million (2008: approximately HK$34 million).

Foreign Exchange Risk Management

The Group's sales and purchases for the year ended 31 December 2009 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 will consider hedging significant foreign currency exposure should the need arise.

Human Resources

As at 31 December 2009, the Group had 6,950 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 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 2009, approximately 11,090,000 options were outstanding under the Pre-IPO Share Option Scheme and 1,770,000 share options have been exercised during the year. Also, as at 31 December 2009, no options have been granted or agreed to be granted pursuant to the Share Option Scheme.

Pledge of Assets

As at 31 December 2009, the Group pledged its bank deposits of approximately HK$37 million, leasehold land and buildings of approximately HK$97 million and investment properties of approximately HK$6 million to secure the banking facilities granted to the Group.

Prospects

While the management remains confident about the industry's growth potential and consumer sentiment in 2010, there are still many challenges on the horizon. Thriving stock and property markets will raise concerns about inflation, thus possibly eroding consumer confidence, which in turn will drive down spending. Rent, wages and food costs may rise, impacting profitability of most business segments. Even if such a scenario does not materialise, the aforementioned rise in expenses would still pose stiff challenges for the food catering industry. As such, the Group remains cautiously optimistic towards the overall business environment in the year to come.

Moving forward, the Group will continue a steady pace of expansion in 2010. In Hong Kong, the management intends to open up to eight outlets across the territory, while in Mainland China, three to four restaurants will be added, representing a relatively swift pace as the country is expected to recover from the economic downturn more quickly than Hong Kong. Already, two premises have been confirmed in southern China, and the Group plans to introduce a premium brand for banquet to specifically target the burgeoning wedding banquet market in the Mainland. With a new logistics centre set to commence operation in Tai Po in 2011, the Group will possess even greater food processing capability, allowing the management to consider expanding into Western and other international cuisine as well. Regardless, the Group will have a solid platform for bolstering its restaurant business and exploring more peripheral opportunities.

Food safety and hygiene is a vitally important factor contributing to our long term growth and success through ensuring customer satisfaction. The Group's commitment to offering our customers the most wholesome food is found in our logistics centres in Hong Kong and Dongguan. Both facilities are well equipped with food testing laboratories for meeting the highest standards of food processing hygiene at each dining outlet. The high priority of food safety of Tao Heung will be continued in its soon-to-be-opened Tai Po logistics centre. In addition, the Group also recognises the crucial importance of purchasing from clean and reliable raw food producers. Tao Heung is always actively exploring the potential acquisition of quality food vendors to provide a stable supply of quality ingredients for the Group and delivering cost savings while extending its business into other complementary market segments.

Having amassed significant experience in weathering difficult market conditions, the management will continue to take the necessary measures for ensuring the Group's long term sustainable growth. Stringent cost control measures, streamlining of operations, and generating business through effective promotions and diversification will be among the steps taken. Furthermore by providing quality food, services and dining experiences to customers, the Group will move closer to its objective of becoming the most popular and highly respected Chinese restaurant group in Hong Kong and Mainland China, in turn delivering satisfactory returns to shareholders.

RESULTS

The Board is pleased to announce the consolidated results of the Group for the year ended 31 December 2009, together with the comparative figures for the year ended 31 December 2008 as follows:

Consolidated Income Statement
For the year ended 31 December 2009

	Notes	**2009**	2008
		HK$'000	*HK$'000*
			(Restated)
REVENUE	*5*	**2,610,410**	2,444,316
Cost of sales		**(2,208,749)**	(2,076,033)
Gross profit		**401,661**	368,283
Other income and gains, net	*5*	**13,605**	12,142
Selling and distribution costs		**(49,565)**	(43,413)
Administrative expenses		**(108,473)**	(105,627)
Finance costs	*6*	**(914)**	(2,406)
Share of profits and losses of associates, net		**175**	189
PROFIT BEFORE TAX	*7*	**256,489**	229,168
Income tax expense	*8*	**(46,136)**	(37,308)
PROFIT FOR THE YEAR		**210,353**	191,860
Attributable to:			
Owners of the parent		**208,530**	189,129
Minority interests		**1,823**	2,731
		210,353	191,860
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
— Basic (HK cents)	*10*	**20.54**	18.64
— Diluted (HK cents)	*10*	**20.52**	18.64

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

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2009

	Notes	**2009** **HK$'000**	2008 *HK$'000*
PROFIT FOR THE YEAR		**210,353**	191,860
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations		**2,830**	14,659
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**213,183**	206,519
Attributable to:			
Owners of the parent		**211,360**	203,788
Minority interests		**1,823**	2,731
		213,183	206,519

Consolidated Statement of Financial Position
As at 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**579,509**	560,835
Prepaid land lease payments		**88,970**	67,985
Investment properties		**7,190**	15,200
Goodwill	*11*	**22,020**	16,827
Interests in associates		**1,254**	5,260
Deferred tax assets		**58,230**	45,258
Rental deposits		**61,385**	51,981
Deposits for purchases of items of property, plant and equipment		**7,388**	13,582
Pledged deposits		**—**	15,648
Financial assets at fair value through profit or loss		**—**	38,215
Total non-current assets		**825,946**	830,791
CURRENT ASSETS			
Inventories		**42,178**	64,365
Trade receivables	*12*	**14,273**	12,072
Prepayments, deposits and other receivables		**55,058**	54,518
Financial assets at fair value through profit or loss		**38,885**	109,966
Tax recoverable		**5,265**	2,421
Pledged deposits		**36,756**	5,520
Cash and cash equivalents		**427,535**	279,132
Total current assets		**619,950**	527,994
CURRENT LIABILITIES			
Trade payables	*13*	**93,785**	86,048
Other payables and accruals		**166,005**	167,453
Interest-bearing bank borrowings		**16,926**	19,591
Finance lease payables		**94**	221
Due to a related company		**—**	628
Due to a minority shareholder of subsidiaries		**2,321**	1,258
Tax payable		**25,535**	20,381
Total current liabilities		**304,666**	295,580
NET CURRENT ASSETS		**315,284**	232,414
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,141,230**	1,063,205

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**11,273**	28,025
Finance lease payables		**23**	117
Deferred tax liabilities		**1,813**	2,945
Total non-current liabilities		**13,109**	31,087
Net assets		**1,128,121**	1,032,118
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**101,614**	101,437
Reserves		**960,819**	867,508
Proposed final and special dividends		**64,017**	60,862
		1,126,450	1,029,807
Minority interests		**1,671**	2,311
Total equity		**1,128,121**	1,032,118

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 HKICPA, 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 and certain financial assets at fair value through profit or loss, which have been measured at fair value. The financial statements are presented in Hong Kong dollars.

2. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs and* HKAS 27 *Consolidated and Separate Financial Statements — Cost of an Investment in a Subsidiary, Jointly Controlled Entity of Associate*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment — Vesting Conditions and Cancellations*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Improving Disclosures about Financial Instruments*
HKFRS 8	*Operating Segments*
HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 18 Amendment*	Amendment to Appendix to HKAS 18 *Revenue — Determining whether an entity is acting as a principal or as an agent*
HKAS 23 (Revised)	*Borrowing Costs*
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments Presentation and* HKAS 1 *Presentation of Financial Statements — Puttable Financial Instruments and Obligations Arising on Liquidation*
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement — Embedded Derivatives*
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*
HK(IFRIC)-Int 18	*Transfers of Assets from Customers* (adopted from 1 July 2009)
Improvements to HKFRSs (October 2008) **	*Amendments to a number of HKFRSs*

* Included in Improvements to HKFRSs 2009 (as issued in May 2009).

** The Group adopted all the improvements to HKFRSs issued in October 2008 except for the amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations — Plan to sell the controlling interest in a subsidiary, which is effective for annual periods beginning on or after 1 July 2009.

Other than as further explained below regarding the impact of HKFRS 8 and HKAS 1 (Revised) and HK(IFRIC)-Int 13, the adoption of these new and revised HKFRSs has had no significant financial effect on the financial statements and there have been no significant changes to the accounting policies applied in the financial statements.

(a) HKFRS 8 Operating Segments

HKFRS 8, which replaces HKAS 14 Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the operating segments determined in accordance with HKFRS 8 are the same as the business segments previously identified under HKAS 14.

(b) HKAS 1 (Revised) Presentation of Financial Statements

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

(c) HK(IFRIC)-Int 13 Customer Loyalty Programmes

HK(IFRIC)-Int 13 requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished. The adoption of this interpretation has had no significant impact on the financial position or results of operations of the Group.

3. ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*[1]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Additional Exemptions for First-time Adopters*[2]
HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards* — Limited Exemption from Comparative HKFRS 7 *Disclosures for First-time Adopters*[4]
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment — Group Cash-settled Share-based Payment Transactions[2]
HKFRS 3 (Revised)	*Business Combinations*[1]
HKFRS 9	*Financial Instruments*[6]
HKAS 24 (Revised)	*Related Party Disclosures*[5]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*[1]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation — Classification of Rights Issues*[3]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement — Eligible Hedged Items*[1]
HK(IFRIC)-Int 14 Amendment	Amendment to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*[5]
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*[1]
HK(IFRIC)-Int 19 Amendments to HKFRS 5 included in Improvements to HKFRSs issued in October 2008	*Extinguishing Financial Liabilities with Equity Instruments*[4] Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations — Plan to Sell the Controlling Interest in a Subsidiary*[1]
HK Interpretation 4 (Revised in December 2009)	*Leases — Determination of the Length of Lease Term in respect of Hong Kong Land Leases*[2]

Apart from the above, the HKICPA has issued *improvements to HKFRSs 2009* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarify wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 are effective for annual periods beginning on or after 1 July 2009 while amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard.

[1] Effective for annual periods beginning on or after 1 July 2009
[2] Effective for annual periods beginning on or after 1 January 2010
[3] Effective for annual periods beginning on or after 1 February 2010
[4] Effective for annual periods beginning on or after 1 July 2010
[5] Effective for annual periods beginning on or after 1 January 2011
[6] Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these 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.

4. OPERATING SEGMENT INFORMATION

The Group is 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 2009 and 2008, and certain non-current assets information as at 31 December 2009 and 2008, by geographic areas.

(a) Revenue from external customers

	2009	2008
	HK$'000	*HK$'000*
Hong Kong	**2,159,393**	2,047,703
Mainland China	**451,017**	396,613
	2,610,410	2,444,316

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

(b) Non-current assets

	2009	2008
	HK$'000	*HK$'000*
Hong Kong	**379,971**	362,884
Mainland China	**364,471**	362,347
	744,442	725,231

The non-current asset information above is based on the location of assets and excludes financial instruments, goodwill, interests in associates and deferred tax assets.

5. REVENUE, OTHER INCOME AND GAINS, NET

Revenue, which is also the Group's turnover, represents gross restaurant revenue and net invoiced value of goods sold, net of relevant business tax and allowances for trade discounts.

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

	2009	2008
	HK$'000	*HK$'000*
Revenue		
Restaurant and bakery operations	**2,557,917**	2,401,634
Sale of food	**52,493**	42,682
	2,610,410	2,444,316
Other income and gains, net		
Bank interest income	**2,615**	5,846
Dividend income from unlisted investments	**1,101**	514
Fair value gains/(losses) on financial assets through profit or loss, net	**645**	(1,873)
Fair value gains/(losses) on investment properties	**690**	(500)
Gross rental income from investment properties	**411**	712
Sponsorship income	**4,933**	3,349
Excess over the cost of a business combination	**—**	171
Gain on disposal of investment properties	**1,000**	—
Gain on disposal of items of property, plant and equipment, net	**393**	—
Others	**1,817**	3,923
	13,605	12,142

6. FINANCE COSTS

	2009	2008
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable		
— Within five years	**812**	2,002
— Beyond five years	**17**	23
Interest on finance leases	**22**	41
Interest on an amount due to a minority shareholder of subsidiaries	**63**	340
Total interest expense on financial liabilities not at fair value through profit or loss	**914**	2,406

7. PROFIT BEFORE TAX

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

	2009 *HK$'000*	2008 *HK$'000*
Cost of inventories sold	**835,704**	786,476
Depreciation	**161,565**	129,505
Recognition of prepaid land lease payments	**1,268**	1,043
Gross rental income from investment properties	**(411)**	(712)
Less: Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	**13**	8
Net rental income	**(398)**	(704)
Employee benefits expense (including directors' remuneration):		
Wages, salaries and bonuses	**672,905**	649,799
Retirement benefits scheme contributions (defined contribution schemes)	**35,738**	34,597
Equity-settled share option expenses	**6,332**	8,189
	714,975	692,585
Lease payments under operating leases in respect of land and buildings:		
Minimum lease payments	**186,167**	164,104
Contingent rents	**9,997**	8,295
	196,164	172,399
Foreign exchange differences, net	**466**	(217)
Write-off of items of property, plant and equipment	**1,096**	1,498
Gain on disposal of items of property, plant and equipment, net	**393**	–
Gain on disposal of investment properties	**1,000**	–
Fair value losses/(gains) on financial assets at fair value through profit or loss, net	**(645)**	1,873
Fair value losses/(gains) on investment properties	**(690)**	500

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 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.

	2009	2008
	HK$'000	*HK$'000*
Current — Hong Kong		
Charge for the year	**44,672**	42,226
Overprovision in prior years	**(187)**	(336)
Current — Mainland China	**15,627**	7,778
Deferred	**(13,976)**	(12,360)
Total tax charge for the year	**46,136**	37,308

9. DIVIDENDS

	2009	2008
	HK$'000	*HK$'000*
Interim — HK4.65 cents (2008: HK6.00 cents) per ordinary share	**47,251**	60,868
Special — HK1.55 cents (2008: Nil) per ordinary share	**15,750**	—
Proposed final — HK6.30cents (2008: HK4.50 cents) per ordinary share	**64,017**	45,646
Proposed special — Nil (2008: HK1.50 cents) per ordinary share	**—**	15,216
	127,018	121,730

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

The calculation of basic earnings per share for the year is based on the profit for the year attributable to ordinary equity holders of the parent and the weighted average number of 1,015,033,541 (2008: 1,014,451,178) ordinary shares of the Company deemed to have been in issue during the year.

The calculation of diluted earnings per share for the year ended 31 December 2009 is based on the profit attributable to equity holders of the parent and on 1,016,105,836 ordinary shares, as used in the calculation of basic earnings per share and the weighted average of 1,072,295 ordinary shares assumed to have been issued at no consideration on the deemed exercise of the Pre-IPO Share Option Scheme.

In prior year, diluted earnings per share amount equaled to basic earnings pre share amount because the employee share options had no dilutive effect on the basic earnings per share and were accordingly ignored in the calculation of diluted earnings per share.

11. GOODWILL

	2009	2008
	HK$'000	*HK$'000*
Carrying amount at 1 January	**16,827**	16,827
Reclassified from interest in associates	**1,407**	—
Acquisition of subsidiaries *(note 14)*	**3,786**	—
Carrying amount at 31 December	**22,020**	16,827

Goodwill is tested for impairment annually or whenever there is any indication of impairment.

At 31 December 2009, there was no indication of impairment.

12. 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. 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, is as follows:

	2009	2008
	HK$'000	*HK$'000*
Neither past due nor impaired	**12,000**	9,996
Less than 1 month past due	**2,069**	1,826
1 to 3 months past due	**129**	162
Over 3 months past due	**75**	88
	14,273	12,072

13. 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:

	2009	2008
	HK$'000	*HK$'000*
Within 1 month	**85,017**	78,311
1 to 2 months	**4,207**	1,530
2 to 3 months	**1,302**	361
Over 3 months	**3,259**	5,846
	93,785	86,048

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

14. BUSINESS COMBINATIONS

On 30 March 2009, the Group acquired an additional 60% equity interest in Tai Cheong Holdings Group Limited ("Tai Cheong") for an aggregate consideration of HK$12,120,000, which included a cash consideration of HK$6,120,000 and the assumption of a shareholder loan of HK$6,000,000, (the "Acquisition"). Tai Cheong became a 80% owned subsidiary of the Group thereafter.

The fair values of the identifiable assets and liabilities of the Tai Cheong Group as at the date of the Acquisition which are equivalent to the corresponding carrying amounts immediately before the Acquisition are as follows:

	HK$'000
Property, plant and equipment	4,540
Inventories	472
Trade receivables	730
Prepayments, deposits and other receivables	3,540
Cash and bank balances	7,292
Trade payables	(1,640)
Other payables and accruals	(2,992)
Due to a related company	(2,000)
Tax payable	(54)
Minority interest	(777)
Net assets acquired at fair values	9,111
Interests in associates	(777)
Goodwill on acquisition *(note 11)*	3,786
Satisfied by cash	12,120

An analysis of the net outflow of cash and cash equivalents in respect of the Acquisition is as follows:

	HK$'000
Cash consideration	(12,120)
Cash and bank balances acquired	7,292
Net outflow of cash and cash equivalents in respect of the Acquisition	(4,828)

OTHER INFORMATION

Dividend

In acknowledging continuous support from the Company's shareholders, the Directors have declared the payment of a final dividend of HK6.30 cents per ordinary share in respect of the year ended 31 December 2009, payable on 28 May 2010 to shareholders whose names appear on the register of member of the Company on 19 May 2010.

Closure of Register of Members

The register of members of the Company will be closed from Thursday, 20 May 2010 to Tuesday 25 May 2010, both days inclusive, during which period no transfer of shares will be effective. In order to qualify for the 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 19 May 2010.

Corporate Governance

During the year ended 31 December 2009, the Company has complied with all the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing Securities on the Stock Exchange of Hong Kong Limited (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 2009.

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 issue 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 2009 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.

Annual General Meeting

The 2009 Annual General Meeting of the Company will be held on Wednesday, 26 May 2010. Notice of the 2009 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.hkex.com.hk) and the website of the Company (www.taoheung.com.hk).

By order of the Board
Chung Wai Ping
Chairman

Hong Kong, 30 March 2010

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.