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 2008

HIGHLIGHTS

- Revenue increased by 17.2% to approximately HK$2,444 million for the year ended 31 December 2008 (2007: approximately HK$2,085 million).
- Profit attributable to equity holders grew by 12.5% to approximately HK$189 million (2007: approximately HK$168 million, excluding the gain on disposal of leasehold land and buildings of approximately HK$32 million).
- Basic earnings per share was HK18.64 cents (2007: HK21.19 cents).
- The Board proposed a final dividend of HK4.50 cents per share and a special dividend of HK1.50 cents per share. Together with the interim dividend of HK6.00 cents per share paid during the year, total dividends for the entire financial year will be HK12.00 cents per share, representing a payout ratio of 64.4%.
- Net assets value per share increased to HK$1.02 (2007: HK$0.99).
- Total number of restaurants reached 65 as at 31 December 2008 and two new restaurants were opened up to the date of this announcement.

* *For identification purpose only*

CHAIRMAN'S STATEMENT

To our shareholders

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 2008.

2008 was a year full of challenges and opportunities. On one hand, we saw prices of raw materials increasing coupled with the occurrence of a series of food safety issues in the first half of the year. On the other hand, the US subprime mortgage crisis has escalated into a global financial tsunami in the final quarter of the year which inevitably has affected the global economy and the catering industry. Amid the volatile and complicated operating environment, Tao Heung has cautiously dealt with the changes and challenges and has been able to sustain business growth. Tao Heung has also continued its network expansion during the year, achieving strong cash inflows and maintaining a healthy financial position. Having previously been confronted with the Asian Financial Crisis in 1997 and subsequently with SARS in 2003, Tao Heung has a proven track record for overcoming adversities. Tao Heung is now more determined than ever to weather this storm and is well prepared to seize the opportunities to expedite our expansion in both the Hong Kong and Mainland China markets. Aiding in our battle will be our logistics centres in Hong Kong and Dongguan. In particular, with the Dongguan Logistics Centre steadily gaining operational strength, the enhanced efficiency and highest quality assurance expected to benefit our business significantly.

Thanks to the boosted efficiency brought by the Dongguan Logistics Centre, which has successfully commenced supplying products to our restaurants in both Hong Kong and Mainland China, and the continuous development of innovative dining experiences such as the launch of the "HIPOT" brand in late October, which has been attracting younger restaurant goers, the Group has been able to achieve stable growth in revenue and improvement in profits amid the global financial and economic meltdown. For the year under review, revenue and profit attributable to shareholders recorded a double-digit growth of 17.2% and 12.5% as compared to last year (excluding the gain on disposal of properties of approximately HK$32 million in 2007) and reached approximately HK$2,444 million and HK$189 million, respectively.

Since Tao Heung is able to maintain a healthy net cash position for future expansion and investment opportunities, and as gratitude towards our equity holders for their unfailing support, I would recommend the Board the payment of a final dividend of HK4.50 cents per share as well as a special dividend of HK1.50 cents per share. Together with the interim dividend of HK6.00 cents per share paid during the year, total dividends of HK12.00 cents per share would have been repatriated for the entire year, representing a payout ratio of 64.4%.

Continuous expansion and effective marketing strategies have generated positive results in Hong Kong

Our efforts in Hong Kong during the past year have proven that we are fully capable of achieving sustaining results despite the escalating operating pressure in rental and raw material costs as well as the onslaught of the global financial tsunami. Revenue from the Hong Kong business reached approximately HK$2,048 million, representing 13.2% increase against 2007. We opened seven new outlets during the year bringing the total number of outlets in Hong Kong to 53 as at the end of 2008. Although consumer confidence began to plunge in late 2008, the launch of different promotional campaigns together with Tao Heung's well proven multi-branding strategy successfully triggered consumption in the final quarter. Gross profit margin of the Hong Kong business has improved further during the year with the Dongguan Logistics Centre starting to provide food products to Hong Kong last June. We are optimistic that the Dongguan Logistics Centre will make greater contribution to the Hong Kong business in the coming years and that our profit margins will be enhanced.

Networks expansion and food safety concerns have helped spur revenue growth in Mainland China

In Mainland China, we expanded our presence in the Pearl River Delta Region and achieved impressive growth in revenue of 43.3% to approximately HK$397 million. We maintained our expansion target and opened five new outlets in 2008, boosting the total number of outlets in Mainland China to 12 as at the end of 2008.

After the occurrence of a series of food safety incidences in 2008, the government has strengthened its regulations on food safety and has placed more efforts in regulating the catering practitioners. Consumers have also become more conscious on food safety and are more willing to opt for quality and trust-worthy chained restaurants. The Group sees this as an opportunity for quality caterers like Tao Heung to further capture and excel in the Mainland China market. Together with the gradual increase in the utilisation rate of the Dongguan Logistics Centre, our Mainland China business are expected to continue to grow and prosper in the coming years.

Outlook

While 2008 was a fruitful year for Tao Heung in which progress was made in both our Hong Kong and Mainland China businesses, we are well aware that 2009 will present steeper challenges. Nevertheless, we will seek to bolster the efficiency of our Dongguan Logistics Centre in the coming years. This important platform has provided us a significant competitive edge against our competitors, specifically allowing us to generate synergies within the Group's operations, better capitalise on economies of scale and direct purchase from the source of origin as well as supreme quality and food safety control. Furthermore, the Group's current healthy financial position will also enable us to maintain our expansion drive, through establishing more outlets to capture greater market share. As well, we will continue to implement different promotions to draw public interest and spur consumption, such as the re-launch of our signature promotion of "One dollar chicken (一蚊雞)" campaign in March and April this year which has created not only praises from the market but also high traffic for our restaurants under such difficult economic environment.

Based on our past experience, we are fully aware that in difficult times come fresh opportunities and we certainly aim to seize on the opportunities ahead. While doing so, we will rely on each member of our staff to lend a helping hand. Consequently, the Group has signed a "no layoff agreement" in late 2008 ensuring all 6,847 of our employees would be retained in 2009. This not only shows our commitment towards being a socially responsible corporation, but also reinforces peace of mind among the Group's workforce and ensures public sentiment is not undermined by rising unemployment.

Awards and recognition

It was the unfailing support from all working parties which gave us such strong motivation to always put our best foot forward in growing the Group's business. Even though the Company was just listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") not long ago, we are delighted to be recognised as one of the "Best 200 Under a Billion" corporations by *Forbes Asia* in 2008, and named Hong Kong's "Best Mid Cap Company" by *FinanceAsia* in its 2008 poll. In addition, our Chung's Cuisine (Kowloon Bay Branch) has become the first Chinese restaurant in Hong Kong to be awarded the "ISO 22000 Food Safety Management Systems Certification" by Hong Kong Quality Assurance Agency. All awards and certification recognised the dedicated efforts of the Group in optimising our business management systems.

Appreciation

On behalf of the Board, I would like to take this opportunity to extend my gratitude to the management and staff for their dedication and unwavering efforts over the year. I also wish to express my appreciation to our customers and business partners for their continuing support. Our management team and I will continue to dedicate our efforts in building on our successes and generating greater returns for our stakeholders.

Chung Wai Ping
Chairman

Hong Kong,
6 April 2009

MANAGEMENT DISCUSSIONS AND ANALYSIS

The Board is pleased to announce the Group's annual results for the year ended 31 December 2008. For the year under review, cataclysmic changes in the macro economies, ranging from escalating operating pressure in rental and raw material costs to contraction of the global economy with consumers' confidence at an all-time low caused by the onslaught of the global financial tsunami, have posed great challenges on Tao Heung's operations. However, by leveraging on our well proven "good-value-for-money" business philosophy, effective multi-branding strategies, enhanced cost controls measures as well as central procurements and production concepts delivered through our logistics centres, Tao Heung's businesses had developed steadily in 2008.

Financial Results

The Group's various business segments achieved satisfactory performances for the year ended 31 December 2008. For the year under review, the Group recorded revenue of approximately HK$2,444 million, representing a year-on-year rise of 17.2%. Excluding the gain on disposal of properties of approximately HK$32 million in 2007, profit attributable to equity holders rose to approximately HK$189 million, representing an increase of 12.5%. The improvement was mainly due to increases in same store sales as well as the opening of 12 new outlets during the year. Another contributing factor was the increased utilisation of the Dongguan Logistics Centre, which has benefited the Group with greater efficiency as well as cost savings associated with economies of scale and bulk purchasing directly from local sources.

Hong Kong Operations

For the year under review, the Group's Hong Kong business achieved revenue of approximately HK$2,048 million, representing a year-on-year increase of 13.2%. The rise in performance was partly due to the increase in same store sales of approximately 0.8% as well as the addition of seven restaurants in the territory, raising the total count to 53 as of 31 December 2008. Benefiting from increased utilisation of the Dongguan Logistics Centre, which started to supply food products to the Hong Kong restaurants last June, gross profit margin improved by 1.8 percentage points despite a double-digit growth in raw material costs on average for the year. Profit attributable to equity holders, excluding the gain on disposal of properties of approximately HK$32 million in 2007, remained at similar levels as compared to last year of approximately HK$164 million (2007: HK$164 million), which has taken into account of the share of the Dongguan Logistics Centre's operating expenses of approximately HK$18 million attributable to the Group's Hong Kong operations. Excluding such share of operating expenses, profit attributable to equity holders reached approximately HK$182 million (2007: HK$164 million), representing an increase of 11.0% as compared to last year.

Mainland China Operations

With continuous network expansion progressing as planned, the Group's Mainland China business' revenue surged by 43.3% to approximately HK$397 million, representing 16.2% of the Group's total revenue. This promising growth was mainly due to the five new restaurants opened during the year. As at 31 December 2008, the Group operated 12 restaurants in three prime cities, namely Guangzhou, Dongguan and Shenzhen. Profit attributable to equity holders increased by approximately five times to HK$25 million. Gross profit margin grew significantly by 5.5 percentage points and we anticipate margins to improve further with the rising utilisation rate of the Dongguan Logistics Centre.

Dongguan Logistics Centre

Since its commencement of operation in September 2007, the Dongguan Logistics Centre operated for a full year in 2008. Serving as a centralised procurement and processing hub, the Dongguan Logistics Centre has enabled the Group to make bulk purchases directly from the source of origin at much competitive prices and to enjoy the operational efficiency and highest quality assurance brought by the centralised production process. Currently, the output of the Dongguan Logistics Centre is approximately 500 tonnes per month, representing twice the output as compared to that at the beginning of year.

Peripheral Businesses

During the year under review, the Group's peripheral business continued to realise significant growth, though it was still relatively insignificant in terms of the Group's total revenue. Total sales increased by 27.2% to approximately HK$42 million. Airline catering operation showed healthy growth of 37.2% on a year-on-year basis. As for the chilled food trading operations, apart from providing chilled chickens to Park'N Shops in Hong Kong and products such as meal boxes, Chinese buns, dim sums and desserts to 7-Eleven convenient stores in the Southern China region since 2007, the Group's chilled food operation also commenced delivery of products to supermarkets and bakery chains in the Southern China region during the year.

Tai Cheong Bakery, one of the Group's bakery investments, continued its re-branding programme to transform Tai Cheong Bakery into a modern and stylish bakery chain to attract younger customers. The new image of Tai Cheong Bakery was well received by the market, which has been proven by its improving sales performance. Tai Cheong Bakery also expanded its business by opening five new stores in Hong Kong, raising the total number of outlets to nine as of 31 December 2008. Tai Cheong Bakery intends to open another four new egg tart bakery shops in 2009, taking advantage of the mass production capability from the Group's logistics centres. By the end of March this year, the Group successfully increased its stake in Tai Cheong Bakery to 80%, making the Group the single largest shareholder.

Financial Resources and Liquidity

The Group maintained a strong financial and liquidity position during the year under review. As at 31 December 2008, the Group's total assets increased to approximately HK$1,359 million (2007: approximately HK$1,272 million) while the total equity increased to approximately HK$1,032 million (2007: approximately HK$932 million).

As at 31 December 2008, the Group had cash and cash equivalents of approximately HK$279 million. After deducting total interest-bearing bank borrowings of approximately HK$48 million, the Group had a net cash surplus position of approximately HK$231 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 enhancing the Group's profitability and values to its shareholders.

As at 31 December 2008, the Group's gearing ratio (defined as total interest-bearing bank borrowings plus finance lease payable divided by shareholders' equity) was reduced to 4.7% (2007: 7.7%).

Capital Expenditure

Capital expenditure for the year ended 31 December 2008 amounted to approximately HK$270 million and capital commitments as at 31 December 2008 amounted to approximately HK$18 million. Both the capital expenditure and capital commitments were mainly due to the renovation of the Group's new and existing restaurants and the logistics centres.

Material Acquisition and Disposal

There were no material acquisitions or disposals of investments and subsidiaries during the year ended 31 December 2008.

Contingent Liabilities

As at 31 December 2008, the Group had contingent liabilities in respect of bank guarantees given in lieu of rental and utility deposits amounting to approximately HK$34 million (2007: approximately HK$28 million).

Foreign Exchange Risk Management

The Group's sales and purchases for the year ended 31 December 2008 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. Nevertheless, the management will closely monitor the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Human Resources

As at 31 December 2008, the Group had 6,847 employees. In order to attract and retain the 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 2008, approximately 13,110,000 options were outstanding under the Pre-IPO Share Option Scheme and no such share options have been exercised yet. Also, as at 31 December 2008, no options have been granted or agreed to be granted pursuant to the Share Option Scheme.

Pledge of Assets

As at 31 December 2008, the Group pledged its bank deposits of approximately HK$21 million, unlisted investments of approximately HK$48 million, leasehold land and buildings of approximately HK$42 million and investment properties of approximately HK$14 million to secure the banking facilities granted to the Group.

Prospects

In the coming year, the Group still anticipates greater challenges as both the Hong Kong and Mainland China economies continue to be affected by the global financial crisis. With the unemployment rate gradually climbing, thus dampening consumer confidence, the general public is expected to be increasingly price conscious. Undiscouraged by this difficult environment, the management is convinced that fresh opportunities exist for quality and "value-for-money" restaurant operators like Tao Heung. In particular, the Group is confident in its ability to attract restaurant goers who seek more reasonable prices but are unwilling to forgo quality. Moreover, as the restaurant sector continues to consolidate, Tao Heung is well-positioned to enlarge its market share by appealing to those seeking good-value-for-money products and services. In addition, the Group will use various marketing and advertising initiatives to enhance customer flow as this remains key to achieving profitability, irrespective of the economic climate.

Stepping into 2009, Tao Heung will maintain its expansion drive, seeking to open around 10 more outlets in Hong Kong and the Southern China region. These new outlets will continue the Group's multi-branding strategies, with an aim of providing more dining options for its customers. In Hong Kong, eight new outlets are scheduled to be opened this year, with two new restaurants already opened, including the new brand "Tao Square 稻坊" which specialises in hot pot cuisine. In Mainland China, the Group anticipates opening around two additional restaurants, taking advantage of the rising consciousness on food safety for our targeted middle class customers in Mainland China and the availability of more locations and stable workforce arising from the current economic conditions.

The Dongguan Logistics Centre will play an increasingly important role in assisting the Group realise its various initiatives. With ongoing upgrades and support from our ever-growing restaurant networks, the management is confident that the utilisation rate of the Dongguan Logistics Centre will continue to increase in 2009. We are optimistic towards achieving operating breakeven (before depreciation) by the end of 2009.

Looking forward, Tao Heung will continue to dedicate its efforts in providing exceptional food, services and dining experiences to customers. Spurred by the achievements recently made in Hong Kong and Mainland China, the Group will multiply its efforts to achieve long-term sustainable growth and thus deliver fair returns to its stakeholders.

RESULTS

The Board is pleased to announce the consolidated results of the Group for the year ended 31 December 2008, together with the comparative figures for the year ended 31 December 2007 as follows:

Consolidated Income Statement
For the year ended 31 December 2008

	Notes	**2008** **HK$'000**	2007 HK$'000 (Restated)
REVENUE	5	**2,444,316**	2,085,134
Other income and gains	5	**14,515**	55,598
Cost of inventories consumed		**(786,476)**	(713,512)
Depreciation of property, plant and equipment		**(129,505)**	(92,181)
Recognition of prepaid land lease payments		**(1,043)**	(1,092)
Fair value gains/(losses) on investment properties		**(500)**	2,700
Fair value gains/(losses) on financial assets at fair value through profit or loss, net		**(1,873)**	3,842
Other expenses		**(1,308,049)**	(1,090,867)
Finance costs	6	**(2,406)**	(4,747)
Share of profits and losses of associates, net		**189**	50
PROFIT BEFORE TAX	7	**229,168**	244,925
Tax	8	**(37,308)**	(42,350)
PROFIT FOR THE YEAR		**191,860**	202,575
Attributable to:			
Equity holders of the Company		**189,129**	200,306
Minority interests		**2,731**	2,269
		191,860	202,575
DIVIDENDS	9		
Interim		**60,868**	33,000
Special		**—**	30,000
Proposed special		**15,216**	—
Proposed final		**45,646**	50,723
		121,730	113,723
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
— Basic (HK cents)	10	**18.64**	21.19
— Diluted (HK cents)	10	**18.64**	21.19

Consolidated Balance Sheet
As at 31 December 2008

	Notes	**2008** **HK$'000**	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**560,835**	408,552
Prepaid land lease payments		**67,985**	68,556
Investment properties		**15,200**	15,700
Goodwill		**16,827**	16,827
Interests in associates		**5,260**	5,071
Deferred tax assets		**45,258**	30,291
Rental deposits		**51,981**	44,683
Deposits for purchases of property, plant and equipment		**13,582**	15,497
Pledged deposits		**15,648**	15,290
Financial assets at fair value through profit or loss		**38,215**	32,871
Total non-current assets		**830,791**	653,338
CURRENT ASSETS			
Inventories		**64,365**	42,780
Trade receivables	*11*	**12,072**	14,222
Prepayments, deposits and other receivables		**54,518**	33,740
Financial assets at fair value through profit or loss		**109,966**	49,136
Due from directors		**—**	2,590
Tax recoverable		**2,421**	—
Pledged deposits		**5,520**	16,237
Cash and cash equivalents		**279,132**	459,486
Total current assets		**527,994**	618,191
CURRENT LIABILITIES			
Trade payables	*12*	**86,048**	87,044
Other payables and accruals		**167,453**	159,600
Interest-bearing bank borrowings		**19,591**	22,825
Finance lease payables		**221**	368
Due to a related company		**628**	628
Due to a minority shareholder of subsidiaries		**1,258**	2,258
Tax payable		**20,381**	17,354
Total current liabilities		**295,580**	290,077
NET CURRENT ASSETS		**232,414**	328,114
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,063,205**	981,452

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**28,025**	48,368
Finance lease payables		**117**	178
Deferred tax liabilities		**2,945**	1,279
Total non-current liabilities		**31,087**	49,825
Net assets		**1,032,118**	931,627
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		**101,437**	101,446
Reserves		**867,508**	777,359
Proposed final and special dividends		**60,862**	50,723
		1,029,807	929,528
Minority interests		**2,311**	2,099
Total equity		**1,032,118**	931,627

Notes:

1. BASIS OF PRESENTATION

Pursuant to a group reorganisation scheme (the "Group Reorganisation") to rationalise the structure of the Group in preparation for the initial public offering of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies now comprising the Group on 4 June 2007. Further details of the Group Reorganisation and the subsidiaries acquired pursuant thereto are set out in the prospectus of the Company dated 15 June 2007 (the "Prospectus").

As a result of the Group Reorganisation which involved companies under common control, the Group is regarded and accounted for as a continuing group. Accordingly, the consolidated financial statements have been prepared in accordance with the principles of merger accounting as set out in Accounting Guideline 5 "*Merger Accounting for Common Control Combinations*" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") as if the Group Reorganisation had been completed as of 1 January 2007. On this basis, the Company has been treated as the holding company of its subsidiaries for the financial years presented rather than from the date of acquisition of the subsidiaries.

2. BASIS OF PREPARATION

These 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. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

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

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

HKAS 39 and HKFRS 7 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement and HKFRS 7 Financial Instruments: Disclosures — Reclassification of Financial Assets*
HK(IFRIC)-Int 11	*HKFRS 2 – Group and Treasury Share Transactions*
HK(IFRIC)-Int 12	*Service Concession Arrangements*
HK(IFRIC)-Int 14	*HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

The adoption of these new interpretations and amendments has had no financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these 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 or Associate*[1]

HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment — Vesting Conditions and Cancellations*[1]
HKFRS 3 (Revised)	*Business Combinations*[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Improving Disclosures about Financial Instruments*[1]
HKFRS 8	*Operating Segments*[1]
HKAS 1 (Revised)	*Presentation of Financial Statements*[1]
HKAS 23 (Revised)	*Borrowing Costs*[1]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*[2]
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*[1]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement — Eligible Hedged Items*[2]
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*[5]
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*[3]
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*[1]
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*[4]
HK(IFRIC)-Int 17	*Distribution of Non-cash Assets to Owners*[2]
HK(IFRIC)-Int 18	*Transfers of Assets from Customers*[2]

Apart from the above, the HKICPA has also issued *Improvements to HKFRSs** which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendment to HKFRS 5 which is effective for annual periods on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 July 2008
4 Effective for annual periods beginning on or after 1 October 2008
5 Effective for annual periods beginning on or after 30 June 2009

* *Improvements to HKFRSs* contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

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. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by geographical segment; and (ii) on a secondary segment reporting basis, by business segment.

Segment information is presented by way of the Group's primary segment reporting basis, by geographical segment. In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. The Group's customer-based geographical segments are Hong Kong and Mainland China.

Since over 90% of the Group's revenue and assets relate to the restaurant segment which engages in the provision of food catering services through a chain of restaurants, no further analysis on business segment is presented.

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's geographical segments for the years ended 31 December 2008 and 2007.

	Year ended 31 December 2008		
	Hong Kong	Mainland China	Total
	HK$'000	*HK$'000*	*HK$'000*
Revenue from external customers	**2,047,703**	**396,613**	**2,444,316**
Segment results	**207,257**	**24,128**	**231,385**
Finance costs			**(2,406)**
Share of profits and losses of associates, net	**189**	**—**	**189**
Profit before tax			**229,168**
Tax			**(37,308)**
Profit for the year			**191,860**
Assets and liabilities			
Segment assets	**806,990**	**498,856**	**1,305,846**
Interests in associates	**5,260**	**—**	**5,260**
Other unallocated assets			**47,679**
Total assets			**1,358,785**
Segment liabilities	**192,819**	**62,568**	**255,387**
Other unallocated liabilities			**71,280**
Total liabilities			**326,667**
Other segment information:			
Capital expenditure	**138,303**	**131,575**	**269,878**
Depreciation	**85,795**	**43,710**	**129,505**
Recognition of prepaid land lease payments	**893**	**150**	**1,043**
Fair value losses on investment properties	**500**	**—**	**500**
Write-off of items of property, plant and equipment	**1,498**	**—**	**1,498**
Fair value losses on financial assets at fair value through profit or loss	**1,873**	**—**	**1,873**

	Year ended 31 December 2007		
		Mainland	
	Hong Kong	China	Total
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	*(Restated)*
Revenue from external customers	1,808,275	276,859	2,085,134
Segment results	238,572	11,050	249,622
Finance costs			(4,747)
Share of profits and losses of associates	50	—	50
Profit before tax			244,925
Tax			(42,350)
Profit for the year			202,575
Assets and liabilities			
Segment assets	890,030	346,137	1,236,167
Interests in associates	5,071	—	5,071
Other unallocated assets			30,291
Total assets			1,271,529
Segment liabilities	189,625	59,905	249,530
Other unallocated liabilities			90,372
Total liabilities			339,902
Other segment information:			
Capital expenditure	84,784	121,119	205,903
Depreciation	70,882	21,299	92,181
Recognition of prepaid land lease payments	889	203	1,092
Fair value gains on investment properties	2,700	—	2,700
Write-off of items of property, plant and equipment	1,025	4,635	5,660
Provision against slow-moving inventories	145	—	145
Fair value gains on financial assets at fair value through profit or loss	3,842	—	3,842
Gain on disposal of leasehold land and buildings	32,030	—	32,030

5. REVENUE, OTHER INCOME AND GAINS

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 is as follow:

	2008 *HK$'000*	2007 *HK$'000* *(Restated)*
Revenue		
Restaurant operations	**2,402,704**	2,052,427
Sale of food	**41,612**	32,707
	2,444,316	2,085,134
Other income and gains		
Bank interest income	**5,846**	14,802
Dividend income from unlisted investments	**514**	435
Gross rental income from investment properties	**712**	1,252
Sponsorship income	**3,349**	2,686
Excess over the cost of a business combination	**171**	868
Gain on disposal of leasehold land and buildings	**—**	32,030
Gain on disposal of items of property, plant and equipment, net (other than buildings)	**—**	300
Others	**3,923**	3,225
	14,515	55,598

6. FINANCE COSTS

	2008 *HK$'000*	2007 *HK$'000*
Interest on bank loans wholly repayable		
— Within five years	**2,002**	5,846
— Beyond five years	**23**	40
Interest on finance leases	**41**	69
Interest on an amount due to a minority shareholder of subsidiaries	**340**	—
Total interest expense on financial liabilities not at fair value through profit or loss	**2,406**	5,955
Less: Interest capitalised	**—**	(1,208)
	2,406	4,747

7. PROFIT BEFORE TAX

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

	2008 *HK$'000*	2007 *HK$'000*
Gross rental income from investment properties	**(712)**	(1,252)
Less: Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	**8**	12
Net rental income	**(704)**	(1,240)
Employee benefits expense (including directors' remuneration):		
Salaries and bonuses	**649,799**	547,910
Retirement benefits scheme contributions (defined contribution schemes)	**34,597**	28,015
Equity-settled share option expense	**8,189**	5,655
	692,585	581,580
Lease payments under operating leases in respect of land and buildings:		
Minimum lease payments	**164,104**	131,864
Contingent rents	**8,295**	6,742
	172,399	138,606
Auditors' remuneration		
— provision for the year	**3,368**	3,031
— under provision in the prior year	**300**	—
	3,668	3,031
Foreign exchange differences, net	**(217)**	(419)
Write-off of items of property, plant and equipment	**1,498**	5,660
Provision against slow-moving inventories	**—**	145

8. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. The lower Hong Kong profits tax rate is effective from the year of assessment 2008/2009, and so is applicable to the assessable profits arising in Hong Kong for the whole year ended 31 December 2008. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2008	2007
	HK$'000	*HK$'000*
Current — Hong Kong		
Charge for the year	**42,226**	35,222
Overprovision in prior years	**(336)**	(385)
Current — Mainland China	**7,778**	9,868
Deferred	**(12,360)**	(2,355)
Total tax charge for the year	**37,308**	42,350

9. DIVIDENDS

	2008	2007
	HK$'000	*HK$'000*
Interim — HK6.00 cents (2007: HK3.25 cents) per ordinary share	**60,868**	33,000
Special — Nil (2007: HK2.96 cents) per ordinary share	**—**	30,000
Proposed special — HK1.50 cents (2007: Nil) per ordinary share	**15,216**	—
Proposed final — HK4.50 cents (2007: HK5.00 cents) per ordinary share	**45,646**	50,723
	121,730	113,723

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

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

The calculation of basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of HK$189,129,000 (2007: HK$200,306,000) and the weighted average number of 1,014,451,178 (2007: 945,085,918) ordinary shares deemed to have been in issue during the year.

Diluted earnings per share amount equals to basic earnings per share amount because the employee share options had no dilutive effect on the basic earnings per share for the year and were accordingly ignored in the calculation of diluted earnings per share.

11. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on cash and credit card settlement. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the balance sheet date, based on the payment due date and that are not considered to be impaired, is as follows:

	2008	2007
	HK$'000	*HK$'000*
Neither past due nor impaired	**9,996**	10,549
Less than 1 month past due	**1,826**	1,304
1 to 3 months past due	**162**	1,224
Over 3 months past due	**88**	1,145
	12,072	14,222

12. TRADE PAYABLES

An aged analysis of the trade payables as at the balance sheet date, based on the invoice date, is as follows:

	2008	2007
	HK$'000	*HK$'000*
Within 1 month	**78,311**	78,812
1 to 2 months	**1,530**	2,092
2 to 3 months	**361**	675
Over 3 months	**5,846**	5,465
	86,048	87,044

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

13. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year's presentation.

OTHER INFORMATION

Dividend

In acknowledging continuous support from the Company's shareholders, the Directors have declared the payment of a final dividend of HK4.50 cents per share and a special dividend of HK1.50 cents per share in respect of the year ended 31 December 2008, payable on Friday, 29 May 2009 to shareholders whose names appear on the register of members of the Company on Thursday, 21 May 2009.

Closure of Register of Members

The register of members of the Company will be closed from Monday, 18 May 2009 to Thursday, 21 May 2009, both days inclusive, during which period no transfer of shares will be effective. In order to qualify for the final and special dividends, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 15 May 2009.

Corporate Governance

During the year ended 31 December 2008, the Company has complied with all the code provisions of the Code on Corporate Governance Practices as set forth in Appendix 14 to the Listing Rules.

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 of the financial statements of the Company, the review and supervision of the financial reporting processes, the internal control and risk management systems and licensing issue of the Group and the review of the remuneration and terms of engagement of external auditors. 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 audit committee has reviewed the accounting principles and practices adopted by the Group and has also reviewed auditing, internal control and financial reporting matters, including the review of the annual results for the year ended 31 December 2008, together with the management.

Nomination Committee

The Company established the Nomination 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 Nomination Committee has three members comprising Professor Chan Chi Fai, Andrew, Mr. Ng Yat Cheung, both being independent non-executive Directors, and Mr. Chan Yue

Kwong, Michael, a non-executive Directors. The chairman of the Nomination Committee is Professor Chan Chi Fai, Andrew. The Nomination Committee is mainly responsible for making recommendations to the Board on the appointment of Directors and the management of the Board succession.

Remuneration Committee

The Company established the Remuneration 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 Remuneration Committee include making recommendations to the Board on the policy and structure of the Company for all remuneration of Directors and on the establishment of a formal and transparent procedure for developing policy on such remuneration, determining the specific remuneration packages of all Executive Directors, including without limitation — base salaries, share options and any benefits in kind, incentive payments and making recommendation to the Board on the remuneration of non-executive and Independent non-executive Directors. The Remuneration Committee has three members comprising Mr. Li Tze Leung and Mr. Mak Hing Keung, Thomas, both being independent non-executive Directors, and Mr. Fong Siu Kwong, a non-executive Director. The Remuneration Committee is chaired by Mr. Li Tze Leung.

Model Code of Securities Transactions by Directors

The Company has adopted the model code as set forth 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 2008.

Purchase, Sale or Redemption of Listed Securities

During the year, the Company purchased certain of its shares on the Stock Exchange and these shares have subsequently been cancelled by the Company. The summary details of those transactions are as follows:

Month of repurchase	**Number of ordinary shares of HK$0.10 each repurchased**	**Price per ordinary share Highest**	**Price per ordinary share Lowest**	**Aggregate purchase price**
		HK$	*HK$*	*HK$'000*
November 2008	88,000	1.25	1.16	106
December 2008	1,000	1.24	1.24	1
	89,000			107

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of listed securities of the Company during the financial year ended 31 December 2008.

Annual General Meeting

The 2008 Annual General Meeting of the Company will be held on Thursday, 21 May 2009. Notice of the 2008 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, 6 April 2009

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.