



Tao Heung Holdings Limited
稻香控股有限公司*

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 573

The background features a warm, golden-brown color palette. On the right, a bowl is filled with a vibrant red liquid, possibly rice wine, with a wheat stalk dipping into it. In the foreground, a pile of multi-colored grains (white, black, and red) is scattered on a light surface. The overall composition is artistic and emphasizes the company's focus on rice and traditional products.

Interim Report
2009

* For identification purposes only



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Corporate Information

Board of Directors

Executive Directors

Mr. Chung Wai Ping (*Chairman*)
Mr. Wong Ka Wing
Mr. Chung Ming Fat
Mr. Leung Yiu Chun (*Chief Executive Officer*)
Ms. Wong Fun Ching
Mr. Ho Yuen Wah

Non-executive Directors

Mr. Fong Siu Kwong
Mr. Chan Yue Kwong, Michael

Independent Non-executive Directors

Mr. Li Tze Leung
Professor Chan Chi Fai, Andrew
Mr. Mak Hing Keung, Thomas
Mr. Ng Yat Cheung

Company Secretary

Mr. Leung Yiu Chun *FCCA, FCPA*

Authorised Representatives

Mr. Leung Yiu Chun
Mr. Ho Yuen Wah

Members of Audit Committee

Mr. Mak Hing Keung, Thomas (*Chairman*)
Mr. Li Tze Leung
Professor Chan Chi Fai, Andrew
Mr. Chan Yue Kwong, Michael

Members of Nomination Committee

Professor Chan Chi Fai, Andrew (*Chairman*)
Mr. Ng Yat Cheung
Mr. Chan Yue Kwong, Michael

Members of Remuneration Committee

Mr. Li Tze Leung (*Chairman*)
Mr. Fong Siu Kwong
Mr. Mak Hing Keung, Thomas

Registered Office

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

Principal Place of Business in Hong Kong

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

Principal Share Registrar

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House, 68 Fort Street
P.O. Box 705, Grand Cayman
KY1-1107, Cayman Islands

Hong Kong Branch Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712–16, 17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Principal Bankers

Bank of China (Hong Kong) Limited
Bank of East Asia, Limited
CITIC Ka Wah Bank
Dah Sing Bank Limited
DBS Bank (Hong Kong) Limited
Deutsche Bank AG, Hong Kong Branch
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited
UBS AG

Principal Auditors

Ernst & Young

Financial Advisor

UOB Asia (Hong Kong) Limited

Stock Code

573

Website

www.taoheung.com.hk

Financial Highlights

Key Financial Ratios	Notes	Six months ended 30 June		% Change Increase/ (Decrease)
		2009	2008	
		(Unaudited) HK\$'000	(Unaudited) HK\$'000	
Performance				
Revenue (restated)		1,301,395	1,178,367	10.4%
Profit attributable to equity holders of the Company		103,709	94,590	9.6%
Net profit margin	1	8.0%	8.0%	—
Per Share Data				
		HK cents	HK cents	
Earnings per share				
— Basic		10.22	9.32	9.6%
— Dilutive		10.22	9.32	9.6%
Interim dividend per share		4.65	6.00	(22.5%)
Special dividend per share		1.55	N/A	N/A
Total Assets and Net Assets				
		30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000	% Change Increase/ (Decrease)
Total assets		1,381,034	1,358,785	1.6%
Net assets		1,080,996	1,032,118	4.7%
Cash and cash equivalents		364,648	279,132	30.6%
Net cash	2	326,726	231,516	41.1%
Liquidity and Gearing				
Current ratio	3	2.03	1.79	13.4%
Quick ratio	4	1.87	1.57	19.1%
Gearing ratio	5	0.04	0.05	(20.0%)
Per Share Data				
		HK cents	HK cents	
Net assets per share	6	106.57	101.75	4.7%
Net cash per share	7	32.21	22.82	41.1%

Financial Highlights (continued)

Notes:

1. Net profit margin is calculated as net profit attributable to equity holders of the Company divided by revenue.
2. Net cash is cash and cash equivalents less interest-bearing bank borrowings.
3. Current ratio is calculated as current assets divided by current liabilities.
4. Quick ratio is calculated as current assets less inventories divided by current liabilities.
5. Gearing ratio is calculated as total debt (interest-bearing bank borrowings and finance lease payables) divided by total equity attributable to equity holders of the Company.
6. Net assets per share is calculated based on the number of 1,014,371,000 shares (2008: 1,014,371,000 shares).
7. Net cash per share is calculated based on the number of 1,014,371,000 shares (2008: 1,014,371,000 shares).

Condensed Consolidated Income Statement

For the six months ended 30 June 2009

Interim Results (Unaudited)

The board (the "Board") of directors (the "Directors") of Tao Heung Holdings Limited (the "Company"), together with its subsidiaries (collectively the "Group"), hereby announces the unaudited consolidated interim results of the Group for the six months ended 30 June 2009 together with comparative figures for the corresponding period in 2008. These interim condensed consolidated financial statements for the six months ended 30 June 2009 have not been audited, but have been reviewed by the Audit Committee of the Company.

	Notes	Six months ended 30 June	
		2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000 (restated)
REVENUE	5	1,301,395	1,178,367
Cost of sales		(1,110,533)	(1,010,193)
Gross profit		190,862	168,174
Other income and gains	5	5,752	11,915
Administrative expenses		(70,460)	(64,485)
Finance costs	6	(484)	(1,177)
Share of profits and losses of associates, net		179	28
PROFIT BEFORE TAX	7	125,849	114,455
Tax	8	(21,211)	(18,290)
PROFIT FOR THE PERIOD		104,638	96,165
Attributable to:			
Equity holders of the Company		103,709	94,590
Minority interests		929	1,575
		104,638	96,165
DIVIDENDS	9		
Proposed interim		47,251	60,868
Proposed special		15,750	—
		63,001	60,868
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
— Basic	10	HK10.22 cents	HK9.32 cents
— Diluted	10	HK10.22 cents	HK9.32 cents

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2009

	Six months ended 30 June	
	2009	2008
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
PROFIT FOR THE PERIOD	104,638	96,165
Other comprehensive income for the period:		
Exchange difference on translation of financial statements of overseas subsidiaries	2,588	20,211
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	107,226	116,376
Attributable to:		
Equity holders of the Company	106,297	114,801
Minority interests	929	1,575
	107,226	116,376

Condensed Consolidated Statement of Financial Position

As at 30 June 2009

	Notes	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	583,515	560,835
Prepaid land lease payments		67,513	67,985
Investment properties		15,200	15,200
Goodwill	12	22,020	16,827
Interests in associates		1,254	5,260
Deferred tax assets		48,510	45,258
Rental deposits		59,286	51,981
Deposits for purchases of property, plant and equipment		3,367	13,582
Pledged deposits	14	15,690	15,648
Financial assets at fair value through profit or loss		—	38,215
Total non-current assets		816,355	830,791
CURRENT ASSETS			
Inventories		43,783	64,365
Trade receivables	13	8,204	12,072
Prepayments, deposits and other receivables		51,919	54,518
Financial assets at fair value through profit or loss		54,594	109,966
Tax recoverable		4,780	2,421
Pledged deposits	14	36,751	5,520
Cash and cash equivalents	14	364,648	279,132
Total current assets		564,679	527,994
CURRENT LIABILITIES			
Trade payables	15	84,914	86,048
Other payables and accruals		139,648	167,453
Interest-bearing bank borrowings	16	18,644	19,591
Finance lease payables		146	221
Due to a related company	20(b)	628	628
Due to a minority shareholder of subsidiaries		1,258	1,258
Tax payable		32,593	20,381
Total current liabilities		277,831	295,580
NET CURRENT ASSETS		286,848	232,414
TOTAL ASSETS LESS CURRENT LIABILITIES		1,103,203	1,063,205

Condensed Consolidated Statement of Financial Position (continued)

As at 30 June 2009

	Notes	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	16	19,278	28,025
Finance lease payables		59	117
Deferred tax liabilities		2,870	2,945
Total non-current liabilities		22,207	31,087
Net assets		1,080,996	1,032,118
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		101,437	101,437
Reserves		914,660	867,508
Proposed dividends	9	63,001	60,862
Minority interests		1,079,098	1,029,807
		1,898	2,311
Total equity		1,080,996	1,032,118

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2009

Note	Attributable to equity holders of the Company											Total equity (Unaudited) HK\$'000
	Issued capital	Share premium	Capital reserve	Other reserve	Share option reserve	Capital redemption reserve	Exchange fluctuation reserve	Retained profits	Proposed dividends	Total	Minority interests	
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	
At 1 January 2008	101,446	310,550	110,748	21,136	5,655	—	13,811	315,459	50,723	929,528	2,099	931,627
Profit for the period	—	—	—	—	—	—	—	94,590	—	94,590	1,575	96,165
Other comprehensive income	—	—	—	—	—	—	20,211	—	—	20,211	—	20,211
Total comprehensive income for the period	—	—	—	—	—	—	20,211	94,590	—	114,801	1,575	116,376
Equity-settled share option arrangements	—	—	—	—	5,039	—	—	—	—	5,039	—	5,039
Dividend paid to a minority shareholder of subsidiaries	—	—	—	—	—	—	—	—	—	—	(1,920)	(1,920)
Final 2007 dividend	—	—	—	—	—	—	—	—	(50,723)	(50,723)	—	(50,723)
Proposed interim 2008 dividend	9	—	—	—	—	—	—	(60,868)	60,868	—	—	—
At 30 June 2008	101,446	310,550	110,748	21,136	10,694	—	34,022	349,181	60,868	998,645	1,754	1,000,399
At 1 January 2009	101,437	310,452	110,748	21,136	13,844	9	28,470	382,849	60,862	1,029,807	2,311	1,032,118
Profit for the period	—	—	—	—	—	—	—	103,709	—	103,709	929	104,638
Other comprehensive income	—	—	—	—	—	—	2,588	—	—	2,588	—	2,588
Total comprehensive income for the period	—	—	—	—	—	—	2,588	103,709	—	106,297	929	107,226
Equity-settled share option arrangements	—	—	—	—	3,856	—	—	—	—	3,856	—	3,856
Acquisition of minority interests	—	—	—	—	—	—	—	—	—	—	778	778
Dividend paid to a minority shareholder of subsidiaries	—	—	—	—	—	—	—	—	—	—	(2,120)	(2,120)
Final 2008 dividend	—	—	—	—	—	—	—	—	(45,646)	(45,646)	—	(45,646)
Special 2008 dividend	—	—	—	—	—	—	—	—	(15,216)	(15,216)	—	(15,216)
Proposed interim 2009 dividend	9	—	—	—	—	—	—	(47,251)	47,251	—	—	—
Proposed special 2009 dividend	9	—	—	—	—	—	—	(15,750)	15,750	—	—	—
At 30 June 2009	101,437	310,452*	110,748*	21,136*	17,700*	9*	31,058*	423,557*	63,001	1,079,098	1,898	1,080,996

* These reserve accounts comprise the consolidated reserves of the Group amounting to HK\$914,660,000 (31 December 2008: HK\$867,508,000) in the condensed consolidated statement of financial position.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2009

	Note	Six months ended 30 June	
		2009	2008
		(Unaudited) HK\$'000	(Unaudited) HK\$'000
Net cash inflow from operating activities		145,105	118,265
Net cash inflow/(outflow) from investing activities		12,928	(243,503)
Net cash outflow from financing activities		(72,821)	(65,726)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		85,212	(190,964)
Cash and cash equivalents at beginning of period		279,132	459,486
Effect of foreign exchange rate change, net		304	3,805
CASH AND CASH EQUIVALENTS AT END OF PERIOD		364,648	272,327
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	14	215,147	182,238
Non-pledged time deposits with original maturity of less than three months when acquired		149,501	90,089
		364,648	272,327

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

1. Corporate Information

The Company was incorporated in the Cayman Islands on 29 December 2005 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business in Hong Kong is located at No. 13 Au Pui Wan Street, Fo Tan, Shatin, New Territories, Hong Kong.

During the period, the Group was involved in the following principal activities:

- restaurant operations and provision of food catering services
- production, sale and distribution of food products related to restaurant operations

2. Basis of Presentation and Preparation

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2009 (the "Interim Financial Statements") have been prepared in accordance with the Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of Appendix 16 of the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The unaudited Interim Financial Statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2008.

Change in presentation and comparative amounts

In the prior period, the Group presented its income statement by nature of expense. During the current period, the directors considered it more appropriate to present the income statement by function of expense to be in line with general accounting practice in restaurant and food catering industries. Accordingly, the comparative amounts have been reclassified to conform with the current period's presentation.

In addition, in the prior period, business tax arising from the Group's operation in the Mainland China was included in "other expenses". During this period, the Group considered it more appropriate to include the business tax in the Group's revenue to be in line with general accounting practice in restaurant and food catering industries. Accordingly, the comparative amounts of revenue and other expenses, and segment information have been restated to conform with the current period's presentation. The effect of the change in presentation was to decrease the "revenue" and "other expenses" for the six months ended 30 June 2009 and 30 June 2008 by HK\$11,370,000 and HK\$9,109,000, respectively.

3. Accounting Policies

The accounting policies adopted in the preparation of the unaudited Interim Financial Statements are consistent with those used in the financial statements of the Group for the year ended 31 December 2008, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) and amendments to HKFRSs issued by the HKICPA for the first time for the current period’s unaudited Interim Financial Statements:

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of HKFRSs</i> and HKAS 27 <i>Consolidated and Separate Financial Statements — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>
HKFRS 2 Amendments	Amendments to HKFRS 2 <i>Share-based Payment Vesting Conditions and Cancellations</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures — Improving Disclosures about Financial Instruments</i>
HKFRS 8	<i>Operating Segments</i>
HKAS 1 (Revised)	<i>Presentation of Financial Statements</i>
HKAS 23 (Revised)	<i>Borrowing Costs</i>
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation</i> and HKAS 1 <i>Presentation of Financial Statements — Puttable Financial Instruments and Obligations Arising on Liquidation</i>
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 <i>Reassessment of Embedded Derivatives</i> and HKAS 39 <i>Financial Instruments: Recognition and Measurement — Embedded Derivatives</i>
HK(IFRIC)-Int 13	<i>Customer Loyalty Programmes</i>
HK(IFRIC)-Int 15	<i>Agreements for the Construction of Real Estate</i>
HK(IFRIC)-Int 16	<i>Hedges of a Net Investment in a Foreign Operation</i>

Apart from the above, the HKICPA has also issued *Improvements to HKFRSs* in October 2008 which set out 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, primarily with a view to removing inconsistencies and clarifying wording. Except for the amendment to HKFRS 5 which is effective for annual periods beginning 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.

3. Accounting Policies (continued)

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. This standard requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary (geographical) and secondary (business) reporting segments of the Group. 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. Adoption of this standard did not have any effect on the financial position or performance of the Group. The Group determined that the operating segments were the same as the geographical segments previously identified under HKAS 14.

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 also 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.

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these unaudited Interim Financial Statements.

HKFRS 5 Amendments	Amendments to HKFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i> ¹
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i> ¹
HKAS 39 Amendment	Amendment to HKAS 39 <i>Financial Instruments: Recognition and Measurement — Eligible Hedged Items</i> ¹
HKFRS 2 Amendments	Amendments to HKFRS 2 <i>Share-based Payment — Group Cash-settled Share-based Payment transactions</i> ²
HKFRS 3 (Revised)	<i>Business Combinations</i> ¹
HK(IFRIC)-Int 17	<i>Distributions of Non-cash Assets to Owners</i> ¹
HK(IFRIC)-Int 18	<i>Transfers of Assets from Customers</i> ³

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 transfers of assets from customers received on or after 1 July 2009

Apart from the above, the HKICPA have also issued, *Improvements to HKFRSs 2009* in May 2009 which, in addition to the amendment to the Appendix to HKAS 18 as detailed above, set out amendments to HKFRS 2, HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36, HKAS 38, HKAS 39, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16. Except for the amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16, which are effective for annual periods beginning on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2010, although there are separate transitional provisions for certain amendments.

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 its results of operations and financial position.

4. Segment Information

Information reported to the Group's chief operating decision maker (i.e. the chief executive officer) for the purposes of resource allocation and assessment of performance is focused on geographical location of its customers including Hong Kong and Mainland China.

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's operating segments for the six months ended 30 June 2009 and 2008.

	Six months ended 30 June 2009		
	Hong Kong	Mainland	Total
	(Unaudited)	China	
	HK\$'000	HK\$'000	(Unaudited)
	HK\$'000		
Revenue from external customers	1,084,251	217,144	1,301,395
Segment results	109,607	16,547	126,154
Finance costs			(484)
Share of profits and losses of associates, net	179		179
Profit before tax			125,849
Tax			(21,211)
Profit for the period			104,638
Assets and liabilities			
Segment assets	828,354	498,136	1,326,490
Interests in associates	1,254		1,254
Other unallocated assets			53,290
Total assets			1,381,034
Segment liabilities	174,785	51,663	226,448
Other unallocated liabilities			73,590
Total liabilities			300,038
Other segment information			
Capital expenditure	45,264	31,386	76,650
Depreciation	49,310	28,803	78,113
Recognition of prepaid land lease payments	435	78	513

4. Segment Information (continued)

	Six months ended 30 June 2008		
	Hong Kong (Unaudited) HK\$'000	Mainland China (Unaudited) HK\$'000 (restated)	Total (Unaudited) HK\$'000 (restated)
Revenue from external customers	988,168	190,199	1,178,367
Segment results	103,821	11,783	115,604
Finance costs			(1,177)
Share of profits and losses of associates, net	28		28
Profit before tax			114,455
Tax			(18,290)
Profit for the period			96,165
Assets and liabilities			
Segment assets	864,963	430,095	1,295,058
Interests in associates	5,099		5,099
Other unallocated assets			35,983
Total assets			1,336,140
Segment liabilities	165,957	81,147	247,104
Other unallocated liabilities			88,637
Total liabilities			335,741
Other segment information			
Capital expenditure	71,685	44,122	115,807
Depreciation	40,904	18,539	59,443
Recognition of prepaid land lease payments	435	75	510
Write-off of items of property, plant and equipment	59	—	59
Fair value gain on financial assets at fair value through profit or loss, net	1,173	—	1,173

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 follows:

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
		(restated)
REVENUE		
Restaurant operations	1,269,324	1,155,238
Sale of food	32,071	23,129
	1,301,395	1,178,367
OTHER INCOME AND GAINS		
Bank interest income	1,103	3,794
Dividend income from unlisted investments	—	200
Gross rental income from investment properties	223	503
Sponsorship income	3,380	3,517
Fair value gains on financial assets at fair value through profit or loss	—	1,173
Others	1,046	2,728
	5,752	11,915

6. Finance Costs

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans wholly repayable		
— Within five years	463	1,144
— Beyond five years	9	12
Interest on finance leases	12	21
	484	1,177

7. Profit Before Tax

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

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Gross rental income from investment properties	(223)	(503)
Less: Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	—	12
Net rental income	(223)	(491)
Employee benefit expense (including directors' remuneration):		
Salaries and bonuses	338,597	322,038
Retirement benefit scheme contributions (defined contribution schemes)	18,590	16,127
Equity-settled share option expenses	3,856	5,039
	361,043	343,204
Depreciation	78,113	59,443
Recognition of prepaid land lease payments	513	510
Lease payments under operating leases in respect of land and buildings:		
Minimum lease payments	93,625	76,852
Contingent rents	4,790	4,336
	98,415	81,188
Foreign exchange differences, net	889	(1,855)

8. 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 period. 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.

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current — Hong Kong		
Charge for the period	17,757	18,337
Current — Elsewhere	6,639	5,098
Deferred	(3,185)	(5,145)
	21,211	18,290

9. Dividends

	Six months ended 30 June	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Proposed interim — HK4.65 cents (2008: HK6.00 cents) per ordinary share	47,251	60,868
Proposed special — HK1.55 cents (2008: Nil) per ordinary share	15,750	—
	63,001	60,868

The proposed dividends for the period under review have been approved at the Company's board meeting held on 10 September 2009.

10. Earnings Per Share

The calculation of basic earnings per share amounts is based on the unaudited consolidated profit for the six months ended 30 June 2009 attributable to ordinary equity holders of the Company of HK\$103,709,000 (2008: HK\$94,590,000) and the weighted average number of 1,014,371,000 shares (2008: 1,014,460,000 shares) in issued during the period under review.

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

11. Property, Plant and Equipment

During the six months ended 30 June 2009, additions of property, plant and equipment amounted to HK\$76,650,000, excluding property, plant and equipment acquired through a business combination (note 21) (2008: HK\$115,807,000).

As at 30 June 2009, leasehold land and buildings with net book value of approximately HK\$97,978,000 (31 December 2008: HK\$98,662,000) were pledged to secure the Group's bank loans and bank facilities (note 16).

12. Goodwill

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Carrying amount at 1 January	16,827	16,827
Reclassified from interest in associates	1,407	—
Acquisition of subsidiaries (note 21)	3,786	—
Carrying amount at end of the period	22,020	16,827

13. 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 statement of financial position date, based on the payment due date and that are not considered to be impaired, is as follows:

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Neither past due nor impaired	5,763	9,996
Less than 1 month past due	2,048	1,826
1 to 3 months past due	225	162
Over 3 months past due	168	88
	8,204	12,072

14. Cash and Cash Equivalents and Pledged Time Deposits

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Cash and bank balances	215,147	202,566
Time deposits	201,942	97,734
	417,089	300,300
Less:		
Pledged deposits with original maturity over 3 months but within 1 year for short term bank borrowings	(36,751)	(5,520)
Pledged deposits for a long term bank borrowing	(15,690)	(15,648)
	364,648	279,132

15. Trade Payables

An aged analysis of the trade payables as at the statement of financial position date, based on the invoice date, is as follows:

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Within 1 month	72,148	78,311
1 to 2 months	2,917	1,530
2 to 3 months	2,068	361
Over 3 months	7,781	5,846
	84,914	86,048

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

16. Interest-Bearing Bank Borrowings

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Bank loans, secured		
Current	18,644	19,591
Non-current	19,278	28,025
	37,922	47,616
Analysed into:		
Bank loans repayable:		
Within one year	18,644	19,591
In the second year	14,039	16,970
In the third to fifth years, inclusive	4,846	10,630
Beyond five years	393	425
	37,922	47,616

Notes:

- (a) Certain of the Group's bank loans and facilities are secured by:
- (i) mortgages over certain of the Group's leasehold land and buildings situated in Hong Kong;
 - (ii) mortgages over certain of the Group's investment properties;
 - (iii) the pledge of certain of the Group's unlisted investments; and
 - (iv) the pledge of certain of the Group's time deposits.
- (b) As at 30 June 2009, the bank loans bear interest at rates ranging from 2.75% to 5.30% (31 December 2008: 2.75% to 5.30%) per annum.

17. Contingent Liabilities

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Bank guarantees given in lieu of utility and property rental deposits	33,172	33,968

18. Operating Lease Arrangements

(i) As lessor

The Group leases its investment properties to third parties under operating lease arrangements with lease negotiated for terms ranging from two to three years.

At 30 June 2009, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Within one year	6	6

(ii) As lessee

The Group leases certain of its office premises and restaurant properties under operating lease arrangements with lease terms ranging from two to fifteen years and certain of the leases comprise renewal options.

At 30 June 2009, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Within one year	158,846	163,911
In the second to fifth years, inclusive	263,407	291,071
Beyond five years	63,911	70,175
	486,164	525,157

The operating leases of certain restaurant properties also call for additional rentals, which will be based on certain percentage of revenue of the operation being undertaken therein pursuant to the terms and conditions as stipulated in the respective rental agreements. As the future revenue of these restaurants could not be accurately determined as at the statement of financial position date, the relevant contingent rental has not been included.

19. Commitments

In addition to the operating lease commitments detailed in note 18(ii) above, the Group had the following capital commitments as at the statement of financial position date:

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Contracted but not provided for:		
Buildings	—	14,711
Leasehold improvements	9,141	3,084
Machinery and equipment	742	322

20. Connected and Related Party Transactions

In addition to the transactions and balances detailed elsewhere in these financial statements, the Company had the following material transactions with connected and related parties during the period:

(a) Transactions with connected and related parties

Particulars of significant transactions between the Group and connected and related parties are summarised as follows:

		Six months ended 30 June	
		2009	2008
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Purchases of food and other operating items			
Miracle Time Enterprise Limited ("Miracle Time")	<i>(i) & (ii)</i>	4,176	1,816
Skybest International Investment Enterprise Limited ("Skybest")	<i>(i) & (ii)</i>	5,095	2,259
Rental expense to a related party	<i>(iii)</i>	24	24

Notes:

- (i) Both Miracle Time and Skybest are non-wholly owned subsidiaries of the Company and are connected persons of the Company as Café de Coral Holdings Limited, a substantial shareholder (as such term is defined under the Listing Rules) of the Company, currently holds 20% of the issued share capital of Miracle Time and Skybest.
- (ii) The purchase of food and other operating items are charged based on terms and conditions negotiated on an individual basis.
- (iii) The rental expense to a related party, Madam Chan Sai Ying, who is the spouse of Mr. Chung Wai Ping, was charged at a monthly fixed amount of HK\$4,000 (2008: HK\$4,000).

The connected and related party transactions as disclosed above also constitute continuing connected transaction as defined in Chapter 14A of the Listing Rules.

20. Connected and Related Party Transactions (continued)

(b) Balance with a related company

	30 June	31 December
	2009	2008
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Amount due to a related company	628	628

The amount due to a related company is unsecured, interest-free and has no fixed terms of repayment.

(c) Key management compensation

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Short term employee benefits	1,771	1,609
Post-employment benefits	34	31
	1,805	1,640

21. 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"). The cash consideration is contingent on a specified level of earnings of Tai Cheong together with its subsidiaries ("Tai Cheong Group") to be achieved for the year ending 31 December 2009 in accordance with the terms of agreement. 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	2,724
Inventories	283
Trade and other receivables, prepayments and deposits	2,563
Cash and bank balances	4,375
Trade payables	(984)
Other payables and accruals	(1,795)
Due to shareholders	(4,800)
Tax payable	(32)
Net assets acquired at fair values	2,334
Goodwill on acquisition (<i>note 12</i>)	3,786
Satisfied by cash	6,120

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

	HK\$'000
Cash consideration	(6,120)
Cash and bank balances acquired	4,375
Net outflow of cash and cash equivalents in respect of the Acquisition	(1,745)

22. Event after the Statement of Financial Position Date

There has been no material event subsequent to 30 June 2009 which require disclosure in this report.

Business Review

The Board is pleased to announce the Group's unaudited interim results for the six months ended 30 June 2009. During the review period, Tao Heung was able to maintain steady business growth despite the global financial downturn, outbreak of H1N1 virus and high local unemployment rate which created challenging economic conditions for most industries and inevitably dampened customers' confidence and spending sentiment in the catering industry. Through a series of mass and effective promotions together with the dedicated efforts in strengthening our core business philosophy of "Delicious and Value for Money", customer traffic remained steady, translating to turnover of approximately HK\$1,301.4 million, representing a year-on-year growth of 10.4%.

Over the years, Tao Heung has sought to lower operating expenses and improve efficiency, mainly through the establishment of its two logistics centres in Hong Kong and Dongguan. Benefits derived from the logistics centres, along with stringent cost control measures supported by all staff members during the review period, enabled the Group to successfully tackle cost pressures, and in turn maintaining overall profitability. During the review period, gross profit margin showed a slight improvement despite the economic difficulties and EBITDA increased remarkably by 16.7% to HK\$205.0 million. Profit attributable to equity holders was HK\$103.7 million, representing a growth of 9.6% over the same period last year.

In view of the Group's strong financial position as well as commitment to delivering fair returns to shareholders, the Board has proposed the declaration of an interim dividend of HK6.2 cents per share, with HK4.65 cents being interim dividend and HK1.55 cents being special dividend respectively, thus representing a dividend payout ratio of approximately 60% of the Group's profit for the period under review.

Hong Kong operations

Hong Kong operations achieved a year-on-year revenue growth of 9.7%, amounting to \$1,084.3 million, despite the Territory being severely affected by the global economic downturn and H1N1 outbreak. Such growth was attributed to new shop openings as well as effective marketing and promotion campaigns which are successful in maintaining customer flow.

Five restaurants were opened during the review period, offsetting two flagship outlets that were temporarily closed in the second quarter resulting from shopping mall renovations. Both restaurants will resume normal operation in early 2010. As at 30 June 2009, the total number of restaurants stands at 58.

Signature and innovative promotional campaigns were proven successful in boosting customer traffic during times of poor spending sentiments. These included the "One Dollar Chicken" campaign, which is Tao Heung's signature promotion, and the launch of different kinds of complimentary dishes promotion. Despite the massive marketing strategies, the steady revenue growth and increasing amount of food supplied by the Dongguan Logistics Centre, the Group was able to increase cost efficiency hence successfully in combatting pressure on the gross profit margin. Gross profit margin is expected to improve further as the Dongguan Logistics Centre makes greater contributions.

Apart from the routine brand promotion for our corporate and flagship brand of *Tao Heung*, brand-building exercises for one of our specialty chained restaurants, *Hak Ka Hut*, have been conducted, leveraging the downturn when such efforts are more cost-effective to implement, to raise brand awareness and strengthen its competitive edge. Interior décor refurbishments and new marketing program namely "客家真味" including a new TV commercial focusing on the signature products of *Hak Ka Hut* has been launched which was well-received by the market and enticed customers to try the featured products.

Profit attributable to equity holders for the period was HK\$90.5 million, representing 6.2% growth compared to the corresponding period in 2008. Excluding a fair value gain on investment through profit and loss account of HK\$1.2 million recorded in the corresponding period in 2008, profit from core operations in Hong Kong increased by 7.6%. Net margin, also excluding the aforesaid fair value gain, experienced a slight drop from 8.5% to 8.3%, mainly due to high rental cost. Food and staff costs remained steady as a result of reduced inflationary pressure following the financial crisis, as well as increased food supply contributions from the two logistics centres.

Mainland China operations

Revenue generated from the Group's Mainland China operations grew by 14.2% to HK\$217.1 million, accounting for 16.7% of the Group's total turnover. Total number of restaurants in Mainland China remained at 12 during the review period. Of all the locations that the Group operated in, Dongguan was most severely hit by the financial crisis which caused massive closure of factories. Consequently, Tao Heung has postponed some of its new restaurant openings until early 2010 when the economy is expected to recover. At such time, the Group anticipates to further establish three to four restaurants in Mainland China.

Profit attributable to equity holders was increased substantially by 41.5% to HK\$13.2 million. Improved profitability was a result of increased revenue from restaurants and enhanced efficiency from higher utilisation rate at the Dongguan Logistics Centre. Moving forward, the management sees further room for margin improvement as the logistics centre's utilisation rate continues to increase. It is believed that rising concerns in food safety and ongoing pursue for higher living standards in Mainland China will fuel growth potential for Tao Heung's Mainland China operations.

Dongguan Logistics Centre

During the review period, the Group increased bulk purchasing of food raw materials from their sources, resulting in reduction in costs, enhanced efficiency and greater quality assurance. The logistics centre has also been supplying more food to Hong Kong since its commencement in June 2008. Both developments have contributed to overall margin improvement.

Current output of the Dongguan Logistics Centre is roughly 500 tonnes per month, and is expected to reach 660 tonnes per month by the end of 2009. Breakeven point will be met as its output reach approximately 800 tonnes per month. The management expects increased utilisation and efficiency of the Dongguan Logistics Centre will facilitate Tao Heung's future business expansion.

Peripheral business

Revenue of approximately HK\$32.1 million was recorded during the review period, partly the result of increased clientele, such as theme parks and catering operators, for packaged and chilled food. Expansion of the Tai Cheong Bakery operation also contributed to revenue growth. Airline catering and food supply to convenient stores and supermarkets continued to make progress as well, and all represent important avenues for diversifying the Group's business.

By becoming the single largest shareholder of Tai Cheong Bakery since March 2009, the Group is confident in the profitability and prospects of the operation. To realise the full potential of this already-profit-making business, the Group increased marketing efforts and expedited branding campaigns to attract target customers, including youths and tourists. In addition, R&D efforts have resulted in greater product offerings such as Tai Cheong Bakery's own brand of beverages and traditional Chinese cakes. Currently, a total of 10 shops are in operation, mostly in prime locations of shopping malls. By capitalising on the Group's logistics centre for the supply of more raw materials and products, Tai Cheong's network will expand further, providing greater revenue and profit contributions to Tao Heung.

Financial resources and liquidity

The Group maintained a strong financial and liquidity position for the six months ended 30 June 2009. The total assets increased by 1.6% to approximately HK\$1,381.0 million (31 December 2008: approximately HK\$1,358.8 million) while the total equity increased by 4.7% to approximately HK\$1,081.0 million (31 December 2008: approximately HK\$1,032.1 million).

As at 30 June 2009, the Group had cash and cash equivalents amounting to approximately HK\$364.6 million. After deducting the total interest-bearing bank borrowings of HK\$37.9 million, the Group had a net cash surplus position of approximately HK\$326.7 million. In view of its cash-rich position, the Group continues to explore any investment 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 30 June 2009, the Group's total interest-bearing bank borrowings were reduced to approximately HK\$37.9 million (31 December 2008: approximately HK\$47.6 million). The gearing ratio (defined as the total of interest-bearing bank borrowings and finance lease payables divided by the total equity attributable to the equity holders of the Company) was reduced to 0.04 (31 December 2008: 0.05).

Use of proceeds

The proceeds from the initial public offerings in Hong Kong in June 2007, after deduction of related issuance expenses, amounted to approximately HK\$405.0 million. Up to 30 June 2009, approximately of HK\$349.8 million have been used and were applied in accordance with the proposed applications set forth in the Prospectus. The unutilised proceeds have been deposited with licensed banks and financial institutions in Hong Kong as short term interest-bearing deposits in order to generate better return on surplus.

Capital expenditure

Capital expenditure for the six months ended 30 June 2009 amounted to approximately HK\$76.7 million (2008: HK\$115.8 million) and the capital commitments as at 30 June 2009 amounted to approximately HK\$9.9 million (31 December 2008: HK\$18.1 million). Both the capital expenditure and capital commitments were mainly related to the renovation of the Group's new and existing restaurants.

Pledge of assets

As at 30 June 2009, the Group pledged its bank deposits of approximately HK\$52.4 million, unlisted investments of approximately HK\$16.4 million, leasehold land and buildings of approximately HK\$98.0 million and investment properties of approximately HK\$5.5 million to secure the banking facilities granted to the Group.

Contingent liabilities

As at 30 June 2009, the Group had contingent liabilities in respect of bank guarantees given in lieu of rental and utility deposits amounting to approximately HK\$33.2 million (31 December 2008: approximately HK\$34.0 million).

Foreign exchange risk management

The Group's sales and purchases for the six months ended 30 June 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 the 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 Group results.

The Group currently does not maintain a foreign currency hedging policy. However, the management would monitor the foreign exchange exposure and will consider hedging significant currency exposure should the need arise.

Human resources

As at 30 June 2009, the Group had 6,786 employees. In order to attract and retain the high quality staff and to enable smooth operation within the Group, the Group offered 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 30 June 2009, there are 12,860,000 outstanding options granted under the Pre-IPO Share Option Scheme which have not been exercised yet. Also, as at 30 June 2009, no options have been granted or agreed to be granted pursuant to the Share Option Scheme.

Prospects

The management expects the operating environment to continue to be challenging for the rest of 2009 as persistently high unemployment levels in the wake of the economic slump will result in depressed consumption sentiment. Despite the challenging conditions, the Group is proactive in negotiation of new leases, aiming to enter into more favourable leasing terms and continuous to expand our market share riding on the current market conditions and our first five-year plan to operate 100 restaurants by the end of 2011 remains unchanged. We will open around five new outlets in Hong Kong and 1 outlet in Mainland China in the second half of 2009. Although restaurant openings in Mainland China has been decelerated due to slow growth in target markets, the Group will quicken its expansion drive in early 2010, as the management believes economic recovery will begin to materialise.

In the second half of 2009, the Group will continue to dedicate efforts and resources in marketing campaigns in Hong Kong and Mainland China to maintain customer traffic and promote greater spending. By employing cost control measures and suitable promotion strategies, the management believes overall margin will not be affected. In addition, driven by the successful brand-building exercise for *Hak Ka Hut* in the first half of the year, the Group will extend the exercise to another chain of specialty restaurant, *Chao Inn*. The new marketing program namely “團聚就是力量” featuring a new TV commercial focusing in attracting youngster gathering and promoting signature products of *Chao Inn* will be launched and the management is confident that the marketing efforts we have made on brands building thus enable the Group to quickly capitalise on an eventual economic upswing. Following the launch of *HIPOT*, the Group's latest hotpot restaurant brand for young and trendy customers, in the fourth quarter of 2008, it has been well-received by the youngsters and successfully in creating talk of the town. In view of acceptance level, operation of the *HIPOT* chain will be further expanded in the coming months and we believe that *HIPOT* will become another successful brand for the Group which tips on the youth generation in the coming years.

While focusing on the restaurant business, the Group will also continue to diversify into peripheral businesses so as to accelerate overall growth of the Group. It will seek to continue widening its customer base, including supermarkets, convenient store chains, airlines and catering companies. The Tai Cheong Bakery business will be expanded with two more outlets in the second half year and another three for each of the coming three years. All of the outlets will be decorated to attract the youth segment, though maintaining the nostalgic feel of traditional cake shops. With a constantly expanding range of product offerings, the Group is also planning to tap the souvenir market. Moreover, the growing number of Tao Heung and Tai Cheong outlets will result in an advanced distribution network that can facilitate further development of the Group's peripheral business.

Looking ahead, the global economic downturn is likely to persist for some time and consumer confidence will erode further. Tao Heung will be cautious and pay more attention to the business turmoil and at the same time to step up our efforts on achieving long-term sustainable growth and satisfactory financial results. Towards such objectives, it will continue to employ stringent cost control measures, streamline operations, practice more bulk purchasing from sources of origin, and generate business through effective promotions and diversification. By providing quality food, services and dining experience to its customers, Tao Heung will also move closer to its ultimate objective of becoming the most popular and highly regarded Chinese restaurant group in Hong Kong and Mainland China, in turn bringing satisfactory returns to shareholders.

Dividends

In acknowledging continuous support from our shareholders, the Directors have declared the payment of an interim dividend of HK4.65 cents per ordinary share and a special dividend of HK1.55 cents per ordinary share in respect of the year ending 31 December 2009, payable on 16 October 2009 to shareholders whose names appear on the register of members of the Company on 9 October 2009.

Closure of Register of Members

The register of members of the Company will be closed from Monday, 5 October 2009 to Friday, 9 October 2009, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim 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, 2 October 2009.

Directors' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2009, the interests and short positions of the Directors in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") were as follows:

Name of Directors	Notes	Number of ordinary shares (long position)				Total interests	% of total issued shares
		Personal interests	Family interests	Corporate interests	Equity derivatives		
<i>Executive Directors</i>							
Mr. Chung Wai Ping	(a) and (d)	—	12,174,222	360,097,689	—	372,271,911	36.70
Mr. Wong Ka Wing	(b)	—	—	103,283,124	—	103,283,124	10.18
Mr. Chung Ming Fat	(c)	—	—	59,795,068	—	59,795,068	5.89
Mr. Leung Yiu Chun	(e)	—	—	—	800,000	800,000	0.08
Ms. Wong Fun Ching	(e)	—	—	—	800,000	800,000	0.08
Mr. Ho Yuen Wah		2,900,000	—	—	—	2,900,000	0.29
<i>Non-executive Directors</i>							
Mr. Fong Siu Kwong		180,000	—	—	—	180,000	0.02
<i>Independent non-executive Directors</i>							
Mr. Ng Yat Cheung		70,937	—	—	—	70,937	0.01

Other Information (continued)

Notes:

- (a) 360,097,689 shares were held by Billion Era International Limited, which is wholly-owned by Mr. Chung Wai Ping.
- (b) These shares were held by Joy Mount Investments Limited, which is wholly-owned by Mr. Wong Ka Wing.
- (c) These shares were held by Whole Gain Holdings Limited, which is wholly-owned by Mr. Chung Ming Fat.
- (d) 12,174,222 shares were held by Ms. Chan Sai Ying, spouse of Mr. Chung Wai Ping.
- (e) These represented interests in options granted to Directors under the Pre-IPO Share Option Scheme to subscribe for shares of the Company, further details of which are set forth under the section headed "Share Option Schemes" to this report.

Save as disclosed above, as at 30 June 2009, none of the directors or chief executives had registered an interest or short position in the share of underlying shares of the Company that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified.

Substantial Shareholders' Interests in Shares and Underlying Shares

As at 30 June 2009, the interests and short positions of every persons, other than directors or chief executive of the Company, in the shares and underlying shares of the Company, being 5% or more of the Company's issued share capital, as recorded in the register kept by the Company under Section 336 of the SFO were as follows:

Name of Shareholder	Notes	Number of ordinary shares (long position)	
		Directly beneficially owned	% of total issued shares
Billion Era International Limited	(a)	360,097,689	35.50
Joy Mount Investments Limited	(b)	103,283,124	10.18
Perfect Plan International Limited		102,053,976	10.06
Arisaig Greater China Fund Limited		80,700,000	7.96
Whole Gain Holdings Limited	(c)	59,795,068	5.89

Notes:

- (a) These shares were wholly-owned by Billion Era International Limited, which is beneficially owned by Mr. Chung Wai Ping.
- (b) These shares were wholly-owned by Joy Mount Investments Limited, which is beneficially owned by Mr. Wong Ka Wing.
- (c) These shares were wholly-owned by Whole Gain Holdings Limited, which is beneficially owned by Mr. Chung Ming Fat.

Save as disclosed above, as at 30 June 2009, the Directors are not aware of any other person (other than the directors or chief executive of the Company) who have the interests or short positions in the shares and underlying shares of the Company which would be required to be disclosed to the Company pursuant to Part XV of the SFO.

Share Option Schemes

(a) Pre-IPO Share Option Scheme

Pursuant to a Pre-initial public offering share option scheme (the "Pre-IPO Share Option Scheme") on 9 June 2007, the Company has granted 15,190,000 options to eligible directors, senior management and employees of the Group to subscribe for ordinary shares in the Company subject to the terms and conditions stipulated under the Pre-IPO Share Option Scheme. The exercise price shall be 50% of the final offer price to the public. The Pre-IPO Share Option Scheme will remain in force for a period of 10 years from the grant date. 250,000 options were cancelled upon the termination of employment during the period.

At 30 June 2009, there are 12,860,000 outstanding options granted under the Pre-IPO Share Option Scheme which have not been exercised yet. Share options granted under the Pre-IPO Share Option Scheme are exercisable at HK\$1.59 per share and the holders of the said share options may exercise the share options during the period from 29 June 2009 to 28 June 2012, both days inclusive.

Details of the share options outstanding as at 30 June 2009 which have been granted under the Pre-IPO Share Option Scheme are as follows:

Name	Date of Grant	Number of share options					Outstanding at 30 June 2009
		Outstanding at 1 January 2009	Granted during the period	Exercised during the period	Lapsed on expiry	Cancelled upon termination of employment	
<i>Executive Directors</i>							
Mr. Leung Yiu Chun	9 June 2007	800,000	—	—	—	—	800,000
Ms. Wong Fun Ching	9 June 2007	800,000	—	—	—	—	800,000
Other employees	9 June 2007	11,510,000	—	—	—	(250,000)	11,260,000
		13,110,000	—	—	—	(250,000)	12,860,000

Subsequent to 30 June 2009, a total of 1,770,000 share options were exercised and 1,770,000 shares were allotted on 17 August 2009.

(b) Share Option Scheme

Pursuant to a share option scheme (the "Share Option Scheme") adopted by the Company on 9 June 2007, the Directors may invite participants to take up options at a price determined by the Board of Directors but in any event shall not be less than the higher of (i) the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant which must be a business day; (ii) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant and; (iii) the nominal value of the shares. The option may be exercised in accordance with the terms of the Share Option Scheme at any time during the option period which may be determined and notified by the Board to the grantee at the time of making an offer which shall not expire later than 10 years from the grant date. As at the date of this report, no options have been granted or agreed to be granted pursuant to the Share Option Scheme.

Corporate Governance

The Board is committed to maintaining high standard of corporate governance practices to safeguard the interests of the Company's shareholders and to enhance corporate value and accountability. These can be achieved by an effective Board, segregation of duties with clear responsibility, sound internal control, appropriate risk assessment procedures and transparency to all the shareholders.

The Company has complied with all the code provisions and, where applicable, the recommended best practices of the Code on Corporate Governance Practices as set forth in Appendix 14 of the Listing Rules throughout the period ended 30 June 2009.

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 dealing in securities by the Directors of the Company. Based on specific enquiry with the Directors, all the Directors have complied with the required standards as set forth in the Code throughout the six months ended 30 June 2009.

Purchase, Sale or Redemption of Listed Securities

During the six months ended 30 June 2009, neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company's listed securities.

Disclosure of Information on the Stock Exchange's Website

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

Appreciation

The Board would like to thank the management of the Group and all the staff for their hard work and dedication, as well as its shareholders, business partners and associates, bankers and auditors for their support to the Group throughout the period.

By order of the Board
Chung Wai Ping
Chairman

Hong Kong, 10 September 2009