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 2012

HIGHLIGHTS

	For the year ended 31 December		Increase in
	2012	2011	%
	(HK$'000)	*(HK$'000)*	
Revenue	**4,055,809**	3,576,099	13.4%
Profit attributable to owners of the parent	**299,199**	254,956	17.4%
	HK cents	*HK cents*	
Basic earnings per share	**29.32**	25.08	16.9%
Proposed final dividend per share	**6.8**	6.6	3.0%
No. of restaurants and bakery outlets (at 31 December)	**121**	103	
No. of restaurants and bakery outlets (at announcement date)	**123**	105	

* *For identification purposes only*

CHAIRMAN'S STATEMENT

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Tao Heung Holdings Limited (the "**Company**" 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 2012.

Though the business environment has continued to be challenging in 2012, it has helped highlight the importance of the Group's defensive measures, which entail the vigorous use of promotions that are complemented by effective cost controls. Tao Heung's distinctive positioning in Hong Kong and Mainland China, targeting the mass and middle-end segments respectively, has also yielded complementary advantages that led to the Group's overall healthy business performance. Consequently, Tao Heung stood out from many of its peers by its resiliency despite the general decline in consumption sentiment in Hong Kong and Mainland China.

In addition to adopting a defensive posture that ensures short-term stability, we also subscribe to the notion that to sustain long-term development requires expansion, whether in the Territory or across the border. Though organic growth invariably leads to slower profit growth in Mainland China, the benefit of broadening revenue streams as substantiated by our successful track-record, fully confirms the value of such ventures. As at the review year, the Group opened six restaurants in Hong Kong and eight restaurants in Mainland China, along with five Tai Cheong Bakery outlets – bringing the total number of restaurants in Hong Kong to 75, Mainland China to 25 and Tai Cheong Bakery outlets to 21 – and is on track to fulfill its objective of establishing a nationwide catering network of 200 outlets by 2017.

In view of the Group's steady business performance, as well as commitment to delivering fair returns to shareholders, the Board has resolved to declare a final dividend of HK6.8 cents per share. Together with an interim dividend of HK6.2 cents per share already paid, total dividend per share will amount to HK13.0 cents for the financial year, representing a pay-out ratio of 44.3%.

Hong Kong Remains our Foundation

The effectiveness of our defensive measures was fully tested in Hong Kong during the past year. Despite a further increase in cost of labour (as part of new minimum wage legislation), sharp rise in rental, and modest rise in food cost, Tao Heung sustained profitability in 2012. This was due in part to the Group's highly popular promotions, including the renowned "HK$1 Chicken" offer and "Double Happiness" (筷樂孖寶) bundle-sale campaign. The ability to leverage our Tai Po and Dongguan logistics centres – both reached new peaks in monthly outputs – and the poultry farm in Mainland China were paramount to the implementation of the aforesaid promotions, which in turn helped attract patrons to Tao Heung and achieve stable revenue growth of 10.3%.

Sustaining Growth in Mainland China

Of the eight new restaurants that were opened in Mainland China, three were established outside of Guangdong Province – a new milestone. Situated in Shenyang, Wuhan and Nanning, this latest development fulfils one of the objectives set out in our second five-year plan. We will therefore closely monitor the performance of these new 'outposts', remaining open to the prospect of establishing still more restaurants outside of our traditional markets.

Aside from market expansion, the recent decline in high-end consumption sentiments creates challenges for most of the catering operators. As an esteemed dining brand that targets the middle-class, Tao Heung was not materially affected by the initiative. Focusing on "value-for-money" dining experiences, and principally targeting middle-income professionals and households, we view the change in business consumption pattern as an opportunity for Tao Heung. We duly expect a pronounced influx of higher income customers in the coming year, generating additional revenue for the Group.

Outlook

Going forward, we will continue to place effort towards improving vertical and horizontal integration, which when viewed as a whole, constitutes the stimulus to our growth. With regards to the former, we will seek to raise output at our Dongguan and Tai Po logistics centres while concurrently enhancing the synergies generated between the two facilities. The benefits are manifold, and include serving as frontline defence against rising costs and ally in meeting food processing needs in the future. In respect of horizontal integration, we will maintain our network expansion strategy while looking at new culinary spheres to enter, and thus establish additional revenue streams.

In Mainland China, there remain ample opportunities to be explored despite the slowing domestic economy; hence, the management will look to capture greater market share. Six to seven shops are set to open in the coming year, four of which have been confirmed and will respectively be located in various cities of Guangdong including Foshan, Zhuhai, Zhongshan and Guangzhou. Having tested the waters of opening restaurants outside Guangdong, the positive preliminary findings bode well for similar ventures in the future. Consequently, one to two outlets outside Guangdong will be established on an annual basis so as to move towards becoming a truly nationwide leading caterer. Already, two locations have been confirmed, specifically in Shanghai and Zhengzhou, for the coming two years.

Abiding by our defensive strategy, we will continue to strengthen our presence in Hong Kong as well. To consolidate our position in the local mass market, we will maintain the pace of network expansion to between five and six new restaurant openings in the coming year. We will also continue to introduce value-for-money promotions to our loyal customers. While helping patrons combat inflation via such offers, we will be leveraging our cost controls and vertically integrated operations to do likewise for the Group.

Aside from fulfilling our expansion goals, we will seek to diligently pursue fresh opportunities, including strengthening our peripheral business and embarking on entirely new initiatives. The Group will enhance its interest in “Bakerz 180”, a bakery operation in Mainland China, to become a controlling shareholder. This follows similar action taken in Hong Kong this year when we became the sole owner of Tai Cheong Bakery. Separately, we have signed a memorandum of understanding with a renowned listed Japanese dining operator, which will lead us into Japanese food catering for the very first time.

While having mentioned the important roles that our logistics centres in Dongguan and Tai Po play, it is worth noting that the poultry farm acquired at the start of 2011 represents an essential component of our vertical integration drive as well. The said farm not only ensures that we have a steady staple of high-quality poultry and pork, but also additional revenue. The Mainland China farm and two logistics centres thus represent important cogs that drive Tao Heung forward, enabling it to benefit from cost efficiency and quality control as well as opening the way for possible expansion goals.

Our focus on preparing Tao Heung for the future is certainly not isolated to the Group itself. It also entails preparing new generations of professionals to contribute to an industry that is close to our hearts: Chinese food catering. As the sole sponsor of the Professional Diploma in Chinese Catering Management, with the assistance from the Vocational Training Council (VTC) since 2000, we take pleasure and pride in seeing the programme’s steady development. Besides, the Group has invested HK$43 million to refurbish our disused logistics centre in Fotan to establish the “Chung Wai-ping Building”, provided part of the floor area on a rent-free basis to VTC for establishing the VTC Tao Miao Institute (the Institute), and would cover the first two years’ operating expenses of the Institute. Further assistance has come by way of the Hong Kong Quality Assurance Agency, Occupational Safety and Health Council and Institution of Dining Art. The VTC Tao Miao Institute plans to offer Professional Diploma, Professional Certificate, Certificate and short programmes. Having already attracted a fresh crop of individuals to Chinese food catering, the Group’s next objective will be to raise management standards and the professionalism of the industry to new levels. This will not only pay dividends for Tao Heung, but to industry players as a whole.

Appreciation

On behalf of the Board, I would like to take extend my appreciation to the management for their contributions to the Group and to the entire workforce for their hard work and commitment during the past year. Our customers, business partners and shareholders must certainly be lauded for their unequivocal support as well.

Chung Wai Ping
Chairman

Hong Kong
21 March 2013

MANAGEMENT DISCUSSIONS AND ANALYSIS

Review

The Board is pleased to announce the Group's annual results for the year ended 31 December 2012. Over the past 12 months, the Group managed to realise double-digit growth in turnover, both from its operations in Hong Kong and Mainland China, while achieving higher overall profitability as well. Tao Heung's ability to remain resilient in the face of challenging conditions can be attributed to a well-defined positioning strategy that ensures the operations in Hong Kong and Mainland China complement one another. In Hong Kong, the Group has focused on the large mass market which favours restaurants that provide quality catering services at competitive prices, and is particularly appealing during periods of high-inflation as is currently the situation. With respect to the Mainland China market, the Group has positioned itself in the mid-end segment of the market, which is immune to the recent decline in high-end consumption sentiments.

Tao Heung's ability to weather unfavourable conditions is clearly evident by its record breaking pace of expansion during the past year. In all, 19 establishments were opened which is a new high for the Group, comprising 14 restaurants and five Tao Cheong Bakery outlets. What is more, Tao Heung has for the first time extended its business presence outside of Guangdong Province, setting the stage for future growth.

Still other important factors that have enabled Tao Heung to sustain growth include the use of effective promotions that help maintain customer traffic; continuous efforts at controlling rent, labour and food costs; fully utilising the two centralised food processing and logistics centres; and leveraging a vertically integrated food supply chain.

Financial Results

The Group generated revenue of approximately HK$4,056 million for the reporting year, representing a year-on-year increase of around 13.4%. The rise can, in part, be attributed to the aforementioned opening of 14 new restaurants, six of which were in Hong Kong and eight in Mainland China. Significant promotions also helped to maintain customer traffic in Hong Kong, especially during dinner hours. In Mainland China, Tao Heung's solid market position allowed it to tap the middle class and banquet segments, as well as new opportunities resulting from the decline of the need in high-end catering. With food costs rising in a stable manner, particularly towards the end of the year, gross margin remained at same level of that in the preceding financial year. EBITDA rose by 16.3% to HK$614 million, up from HK$528 million in 2011. Profit attributable to owners of the parent amounted to HK$299 million, a year-on-year increase of 17.3% (2011: HK$255 million).

Hong Kong Operations

In the face of weak consumption sentiment resulting from high inflation and uncertainty about the global economy, Tao Heung continued to rely on defensive measures that have consistently been refined since the global financial crisis of 2008. The combination of effective marketing promotions and the expanded restaurant network enabled the Hong Kong operations to generate revenue of HK$2,990 million, an increase of 10.3% over the corresponding period of last year. EBITDA increased by 24.1% to HK$423 million. As at 31 December 2012, the Group operated a total of 75 outlets, six more than in 2011. To boost customer traffic at all of the restaurants, a range of marketing campaigns and product promotions were employed, including the “Double Happiness” (筷樂孖寶) bundle-sale campaign and the “HK$1 Chicken” offer, both of which attracted many families to dine at Tao Heung. Correspondingly, customer traffic increased by 14.6% during dinner hours while average spending per head has also rose by 5.6%. These two factors contributed to a satisfactory performance of Hong Kong operation during the year under review.

Profit attributable to owners of the parent for the period was HK$234 million, up a notable 30.7% over last year (2011: HK$179 million). Contributing to the higher profitability was the overall operational excellence of Tao Heung, as well as more stable food costs towards the end of 2012. In terms of labour cost, the Group continued to take belt-tightening measures, including the continuous use of various kinds of automation processes such as automated queuing, automated self-ordering and self-service auto-payment to sustain profitability.

The Group’s bakery business reported satisfactory development. Uptake of Tai Cheong Bakery products was bolstered by the opening of five additional outlets in Hong Kong. Consequently, the Group operated a total of 21 outlets as at 31 December 2012. Along with broadening the bakery network, Tao Heung has expanded the range of products offered, and introduced appealing new packaging to the approval of customers. In view of the healthy development of Tai Cheong Bakery, the Group has acquired the remaining 20% share of the business. Consequently, effective from January 2013, Tao Heung has become the 100% controlling shareholder of the business, and intends to open six or seven new shops annually in the coming five years.

Mainland China Operations

The Group recorded revenue of HK$1,066 million from the Mainland China operations, which is a healthy increase of 23.2% over 2011. Once again, the growth can partly be attributed to Tao Heung’s ever expanding presence in the country, which, as at 31 December 2012 rose by eight new outlets to a total of 25, including three restaurants outside Guangdong Province. Despite muted economic growth, the Group continued to make solid progress in the country due to the management’s decision from the outset to cater for middle class consumers and families, as well as the wedding and banquet segment. More importantly, Tao Heung’s strong brand awareness has been continuously bolstered as consumers become increasingly wary of food safety and have favourable associations with Tao Heung as a Hong Kong trustworthy brand.

EBITDA realised a modest gain of 2.3% to HK$191 million, while profit attributable to owners of the parent declined to HK$65 million (2011: 76 million). The inconsistency in revenue and profit was mainly due to a rise in depreciation of this segment to HK$112 million during the review year; as well as eight restaurant openings in 2012, which is equivalent to nearly half of the total shop count in the preceding financial year. Though the new shops will require time to mature as they are still in an investment stage, the management anticipates higher revenue contributions from these operations from late 2013 or early 2014. This is consistent with the Group's overall strategy of sustaining growth in the mid – to long-term.

Logistics Centres

The logistics centres continued to play essential roles in allowing management to explore more peripheral business opportunities, and thus pave the way for Tao Heung's future growth. Already the cornerstone of vertical integration efforts, the two logistics centres not only provide processed food to the Group's restaurants, but also products for its bakery business along with pre-packaged and festive products such as dim sum, mooncakes and CNY rice dumplings.

The logistics centre in Dongguan continued to increase the supply of food to the Group's restaurants, which, as at the reporting year rose to around 1,000 tonnes per month. In addition to higher usage, better control of food quality and higher operational efficiency were achieved. In the coming financial year, the Group seeks to raise output at the Dongguan Logistics Centre still further, establishing a target of 1,100 tonnes per month.

In respect of the logistics centre in Tai Po, it has continued to generate greater synergies with its counterpart in Dongguan since it became operational in January 2011. In the short time since the Tai Po Logistics Centre has opened, it has already played a valuable role in alleviating rising expenditures. Average output of approximately 1,000 tonnes per month was reached in the reporting year, and is expected to climb to 1,100 tonnes per month in 2013.

Peripheral business

The peripheral business achieved stable growth with revenue up 12.6% to approximately HK$224 million. While all products from this business segment are from the centralised food processing centre, and thus have a high standard of quality, sales from festive food, especially pun choi and CNY rice dumplings, were particularly promising. On the wholesale catering front, pre-packaged, chilled and frozen food continued to generate steady revenue for the Group as well, and reported a notable level of profitability. The management will thus continue exploring possible distribution channels for pre-packaged food.

With regards to the poultry farm that the Group acquired at the start of 2011, it has continued to play a vital role in allowing Tao Heung to achieve a more vertically integrated food supply chain, and thus help control escalating food costs. At the same time, the farm has played an equally important role in ensuring a stable source of high-quality chicken and pork. While fulfilling both tasks successfully, it has also generated revenue of HK$80 million during the year, up 14.3% over 2011.

Financial Resources and Liquidity

The Group maintained a strong financial and liquidity position during the year under review. As at 31 December 2012, the Group's total assets increased to approximately HK$2,319 million (2011: approximately HK$1,951 million) while the total equity increased to approximately HK$1,577 million (2011: approximately HK$1,396 million).

As at 31 December 2012, the Group had cash and cash equivalents of approximately HK$421 million. After deducting total interest-bearing bank borrowings of approximately HK$74 million, the Group had a net cash surplus position of approximately HK$347 million. In view of its cash-rich position, the Group continues to explore potential investments or business development opportunities to deploy its cash resources with an aim to enhance the Group's profitability and values to its shareholders.

As at 31 December 2012, the Group's gearing ratio (defined as total interest-bearing bank borrowings plus finance lease payable divided by total shareholders' equity) was 4.8% (2011: 1.6%).

Capital Expenditure

Capital expenditure for the year ended 31 December 2012 amounted to approximately HK$450 million and capital commitments as at 31 December 2012 amounted to approximately HK$88 million. The capital expenditure were mainly for the renovation of the Group's new and existing restaurants and Tai Po Logistics Centre while the capital commitments relate to the construction of Phase 2 of Dongguan Logistics Centre.

Contingent Liabilities

As at 31 December 2012, the Group had contingent liabilities in respect of bank guarantees given in lieu of rental and utility deposits amounting to approximately HK$28 million (2011: approximately HK$26 million).

Foreign Exchange Risk Management

The Group's sales and purchases for the year ended 31 December 2012 were mostly denominated in Hong Kong Dollars ("**HK$**") and Renminbi ("**RMB**").

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

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

Human Resources

As at 31 December 2012, the Group had 9,312 employees. In order to attract and retain high quality staff and to enable smooth operation within the Group, the Group offers competitive remuneration packages (with reference to market conditions and individual qualifications and experience) and various in-house training courses. The remuneration packages are subject to review on a regular basis.

In addition, the Group also adopted the Pre-IPO Share Option Scheme and Share Option Scheme, where eligible employees are entitled to various share options to subscribe for the ordinary shares in the Company for their past and potential contribution to the growth of the Group. As at 31 December 2012, approximately 4,530,000 options were outstanding under the Pre-IPO Share Option Scheme and 4,318,000 share options have been exercised during the year. Also, as at 31 December 2012, no options have been granted or agreed to be granted pursuant to the Share Option Scheme.

Pledge of Assets

As at 31 December 2012, the Group pledged its bank deposits of approximately HK$12 million, leasehold land and buildings of approximately HK$20 million and investment properties of approximately HK$11 million to secure the banking facilities granted to the Group.

Prospects

In the coming year, uncertainty will continue to persist surrounding the world economy, while in Hong Kong and Mainland China, the spectre of inflation will likely impact on both regions' economic growth. For food caterers including Tao Heung, weak consumption sentiment will continue to be one of the main challenges, though cost pressure on meat and seafood are expected to decline as a result of weaker demand in China. The management therefore remains cautiously optimistic about the Group's prospects entering into 2013.

As a leading Chinese restaurant group with firm roots in Hong Kong, Tao Heung has experienced, and overcome numerous business upheavals. It has subsequently developed defensive measures that protect the Group's business integrity, while concurrently tapping opportunities that often emerge in times of difficulty. Tao Heung will therefore continue to leverage this defensive component in its strategy to capture greater market share. This will include exploiting the Group's effective cost controls to deliver high-value-for-money catering services. Network expansion will continue as well, with five or six new restaurant openings in 2013. The third prong of this strategy will involve effective marketing campaigns that encompass appealing promotional dishes targeting the mass market segment, particularly families. Through this balanced approach, the management is confident about the Group's ability to sustain customer traffic and profitability at all of its Hong Kong establishments.

Though economic growth in Mainland China has tapered in recent years, the management remains optimistic about opportunities it sees on the horizon. The decline in high-end consumption sentiments has opened the way for Tao Heung to cater for a new clientele that will continue frequenting restaurants they deem as high quality but less ostentatious. The Group will certainly focus on its primary markets, comprising the middle class and families, along with the wedding and banquet segment. To win these customers over, Tao Heung will maintain its commitment to food safety and a value-for-money principle, a concern that increasingly resonates with Mainland Chinese.

Expansion across southern China will remain a principal objective in the coming year, with already six or seven shop openings planned. Five confirmed shop premises have already been located in Foshan, Zhuhai, Zhongshan, Guangzhou and Shanghai. While Guangdong has been the Group's traditional stronghold, the seeds have been sown for taking Tao Heung to the next level. In the past year, restaurants were opened in Wuhan, Shenyang and Nanning, all of which are expected to bear fruit in two to three years' time. The management plans to open one to two restaurants every year in the regions outside Guangdong province in the future. Two scheduled openings in 2013 and 2014 are located in Shanghai and Zhengzhou.

Aside from its restaurant operations, the management is equally committed to establishing a presence in Mainland China's baked goods arena. At the date of the announcement, the Group has expanded its shareholdings in "Bakerz 180", a renowned bakery chain in the Southern China, from 12% to 60%, and thus become its single largest shareholder. Bakerz 180 presently runs six shops and also has its own centralised kitchen in Shenzhen. Though plans of opening six to seven new shops per year are on the table, Tao Heung will seek to widen the Bakerz 180 network still further, while remaining in Guangdong province within the short-to-medium term. Guangzhou will in fact be one of the very first shop openings outside of Shenzhen under present plan.

While network expansion and exploring new opportunities are essential, the necessary support mechanisms must be in place in order to help fulfil these objectives. The Dongguan and Tai Po logistics centres and poultry farm in Southern China provides just such support. In addition, they help cushion the impact of ever-rising food and labour costs. Mindful of this, the management will continue to take steps at bolstering the efficiency of all three facilities. Aside from enhancing the key components of vertical integration, optimising elements of horizontal integration will be pursued as well. This will involve further adoption of such technologies as automated ticketing, self service auto-payment and prepaid cards. Moreover, lifting the efficiency of all of the restaurant's kitchens will be a top priority of the Group for the coming years through adopting more technologies that can lead to a smaller workforce.

With 2013 marking the second phase of Tao Heung's master development plan, the management will step up efforts at further enhancing the dining experience of target customers; devise innovative multi-branding strategies that raise customer traffic; and reinforce all elements of its infrastructure. As the number of restaurants and bakery outlets are all set to rise in the coming year, Tao Heung is well on its way to realising its goal of operating 200 outlets by 2017, and to truly become a nationwide catering leader.

RESULTS

The board of directors (the "**Board**") of Tao Heung Holdings Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively "**Tao Heung**" or the "**Group**") for the year ended 31 December 2012, together with the comparative figures for the year ended 31 December 2011 as follows:

Consolidated Income Statement
For the year ended 31 December 2012

	Notes	**2012** *HK$'000*	2011 *HK$'000*
REVENUE	*5*	**4,055,809**	3,576,099
Cost of sales		**(3,424,213)**	(3,016,631)
Gross profit		**631,596**	559,468
Other income and gains, net	*5*	**26,949**	33,395
Selling and distribution costs		**(85,174)**	(92,781)
Administrative expenses		**(190,850)**	(169,088)
Other expenses		**(708)**	(8,682)
Finance costs	*6*	**(604)**	(461)
Share of losses of associates		**(1)**	–
PROFIT BEFORE TAX	*7*	**381,208**	321,851
Income tax expense	*8*	**(77,220)**	(63,094)
PROFIT FOR THE YEAR		**303,988**	258,757
Attributable to:			
Owners of the parent		**299,199**	254,956
Non-controlling interests		**4,789**	3,801
		303,988	258,757
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic (HK cents)	*10*	**29.32**	25.08
– Diluted (HK cents)	*10*	**29.24**	24.98

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

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2012

	2012 HK$'000	2011 HK$'000
PROFIT FOR THE YEAR	**303,988**	258,757
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	**13,495**	21,191
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**317,483**	279,948
Attributable to:		
Owners of the parent	**312,203**	275,795
Non-controlling interests	**5,280**	4,153
	317,483	279,948

Consolidated Statement of Financial Position

As at 31 December 2012

	Notes	**2012** **HK$'000**	2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,277,595**	1,031,228
Prepaid land lease payments		**63,330**	19,354
Investment properties		**12,390**	8,540
Goodwill	*11*	**38,569**	38,239
Investments in associates		**8,587**	3,316
Biological assets		**2,087**	2,803
Deferred tax assets		**66,621**	62,934
Rental deposits		**101,043**	94,278
Deposits for purchases of items of property, plant and equipment		**16,756**	38,148
Other deposit		**–**	1,648
Total non-current assets		**1,586,978**	1,300,488
CURRENT ASSETS			
Inventories		**173,459**	134,833
Biological assets		**18,305**	9,269
Trade receivables	*12*	**27,323**	25,720
Prepayments, deposits and other receivables		**79,190**	82,306
Tax recoverable		**996**	3,823
Pledged deposits		**12,052**	11,914
Restricted cash		**–**	71,057
Cash and cash equivalents		**421,144**	311,445
Total current assets		**732,469**	650,367
CURRENT LIABILITIES			
Trade payables	*13*	**244,471**	179,271
Other payables and accruals		**355,999**	299,171
Interest-bearing bank borrowings		**74,485**	21,868
Finance lease payables		**313**	323
Due to a non-controlling shareholder of subsidiaries		**–**	60
Tax payable		**41,769**	26,764
Total current liabilities		**717,037**	527,457
NET CURRENT ASSETS		**15,432**	122,910
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,602,410**	1,423,398

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT LIABILITIES			
Finance lease payables		**474**	621
Due to non-controlling shareholders of subsidiaries		**11,623**	11,391
Deferred tax liabilities		**13,198**	15,654
Total non-current liabilities		**25,295**	27,666
Net assets		**1,577,115**	1,395,732
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**102,161**	101,729
Reserves		**1,386,453**	1,209,633
Proposed final dividend		**69,470**	67,141
		1,558,084	1,378,503
Non-controlling interests		**19,031**	17,229
Total equity		**1,577,115**	1,395,732

Notes:

1 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 Hong Kong Institute of Certified Public Accountants (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 biological assets, which have been measured at fair value. These financial statements are presented in Hong Kong dollars.

2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

Other than as further explained below regarding the impact of amendments to HKAS 12, the adoption of the revised HKFRSs has had no significant financial effect on these financial statements.

The HKAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in HK(SIC)-Int 21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets* that deferred tax on non-depreciable assets, measured using the revaluation model in HKAS 16, should always be measured on a sale basis. Prior to the adoption of the amendments, deferred tax with respect to the Group's investment properties was provided on the basis that the carrying amount will be recovered through use, and accordingly the profits tax rate had been applied to the calculation of deferred tax arising on the revaluation of the Group's investment properties. Upon the adoption of HKAS 12 Amendments, deferred tax in respect of the Group's investment properties is provided on the presumption that the carrying amount will be recovered through sale. The adoption of the HKAS 12 Amendments did not have any impact on the financial position or performance of the Group.

3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[2]
HKFRS 9	*Financial Instruments*[4]
HKFRS 10	*Consolidated Financial Statements*[2]
HKFRS 11	*Joint Arrangements*[2]
HKFRS 12	*Disclosure of Interests in Other Entities*[2]
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance*[2]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*[3]
HKFRS 13	*Fair Value Measurement*[2]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[1]
HKAS 19 (2011)	*Employee Benefits*[2]
HKAS 27 (2011)	*Separate Financial Statements*[2]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[3]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[2]
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012[2]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 Effective for annual periods beginning on or after 1 January 2015

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

4. OPERATING SEGMENT INFORMATION

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

Geographical information

The following tables present revenue from external customers for the years ended 31 December 2012 and 2011, and certain non-current asset information as at 31 December 2012 and 2011, by geographic area.

(a) Revenue from external customers

	2012	2011
	HK$'000	*HK$'000*
Hong Kong	**2,989,456**	2,710,238
Mainland China	**1,066,353**	865,861
	4,055,809	3,576,099

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

(b) Non-current assets

	2012	2011
	HK$'000	*HK$'000*
Hong Kong	**740,260**	541,220
Mainland China	**679,054**	600,408
	1,419,314	1,141,628

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

5. REVENUE, OTHER INCOME AND GAINS, NET

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

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

	2012	2011
	HK$'000	*HK$'000*
Revenue		
Restaurant and bakery operations	**3,832,044**	3,377,255
Sale of food	**143,819**	128,658
Poultry farm operations	**79,946**	70,186
	4,055,809	3,576,099
Other income and gains, net		
Bank interest income	**1,865**	3,808
Change in fair values less cost to sell of biological assets	**1,845**	–
Fair value gains on investment properties	**3,850**	920
Gain on disposal of items of property, plant and equipment, net	**269**	8,450
Government grants	**896**	903
Gross rental income from investment properties	**495**	466
Gross rental income from sublease of poultry market	**9,639**	9,780
Sponsorship income	**4,670**	5,505
Others	**3,420**	3,563
	26,949	33,395

6. FINANCE COSTS

	2012	2011
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable		
– Within five years	**573**	444
– Beyond five years	**13**	14
Interest on finance leases	**18**	3
Total interest expense on financial liabilities not at fair value through profit or loss	**604**	461

7. PROFIT BEFORE TAX

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

	2012	2011
	HK$'000	*HK$'000*
Cost of inventories sold	**1,355,177**	1,207,231
Depreciation*	**233,951**	206,920
Amortisation of land lease payments*	**1,049**	363
Gross rental income from investment properties	**(495)**	(466)
Employee benefit expense* (including directors' remuneration):		
Salaries and bonuses	**1,026,671**	919,720
Retirement benefits scheme contributions (defined contribution schemes)	**61,576**	49,443
Equity-settled share option expenses	**–**	1,019
	1,088,247	970,182
Lease payments under operating leases in respect of land and buildings*:		
Minimum lease payments	**279,484**	245,272
Contingent rents	**17,417**	14,338
	296,901	259,610
Change in fair values less cost to sell of biological assets	**(1,845)**	840
Gain on disposal of property, plant and equipment, net	**(269)**	(8,450)
Write-off of items of property, plant and equipment	**708**	7,842
Foreign exchange differences, net	**769**	(4,271)

* The cost of sales for the year amounting to HK$3,424,213,000 (2011: HK$3,016,631,000) included depreciation charges of HK$191,279,000 (2011: HK$188,914,000), amortisation of land lease payments of HK$1,049,000 (2011: HK$363,000), employee benefit expense of HK$1,007,110,000 (2011: HK$875,182,000) and operating lease rentals of HK$290,637,000 (2011: HK$251,539,000).

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2012	2011
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**47,553**	40,127
Overprovision in prior years	**(150)**	(36)
Current – Mainland China	**35,812**	18,741
Deferred	**(5,995)**	4,262
Total tax charge for the year	**77,220**	63,094

9. DIVIDENDS

	2012	2011
	HK$'000	*HK$'000*
Additional 2010 final – HK 6.30 cents	**–**	49
Additional 2011 final – HK 6.60 cents	**285**	–
Interim – HK6.20 cents (2011: HK6.20 cents) per ordinary share	**63,340**	63,067
Proposed final – HK6.80 cents (2011: HK6.60 cents) per ordinary share	**69,470**	67,141
	133,095	130,257

Actual 2011 final dividend paid was HK$67,426,000, of which HK$285,000 was paid for shares issued for employee share options exercised after 31 December 2011.

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

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

The calculation of basic earnings per share for the year is based on the profit for the year attributable to ordinary equity holders of the parent and the weighted average number of 1,020,383,869 (2011: 1,016,762,628) ordinary shares of the Company deemed to have been in issue during the year.

The calculation of diluted earnings per share for the year ended 31 December 2012 is based on the profit attributable to equity holders of the parent and on 1,020,383,869 (2011: 1,016,762,628) ordinary shares, as used in the calculation of basic earnings per share and the weighted average of 2,742,352 (2011: 3,852,226) ordinary shares assumed to have been issued at no consideration on the deemed exercise of the Pre-IPO Share Option Scheme.

11. GOODWILL

	2012	2011
	HK$'000	*HK$'000*
Cost at 1 January	**38,239**	22,020
Acquisition of subsidiaries (note 14)	**–**	15,504
Exchange realignment	**330**	715
Cost and net carrying amount at 31 December	**38,569**	38,239

Goodwill is tested for impairment annually or whenever there is any indication of impairment. At 31 December 2012, there was no indication of impairment.

12. TRADE RECEIVABLES

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

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

	2012	2011
	HK$'000	*HK$'000*
Neither past due nor impaired	**12,580**	13,778
Less than 1 month past due	**6,285**	7,525
1 to 3 months past due	**5,117**	3,682
Over 3 months past due	**3,341**	735
	27,323	25,720

13. TRADE PAYABLES

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

	2012	2011
	HK$'000	*HK$'000*
Within 1 month	**195,266**	162,295
1 to 2 months	**28,828**	8,927
2 to 3 months	**7,030**	3,099
Over 3 months	**13,347**	4,950
	244,471	179,271

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

14. BUSINESS COMBINATIONS

On 30 December 2010, the Group entered into agreements with Guangzhou Baixing Pasturage and Feed Co., Ltd. ("**Baixing**"), Guangzhou Rongli Poultry Co., Ltd. ("**Rongli**") and Guangzhou Yisheng Poultry Co., Ltd. ("**Yisheng**") (collectively the "**Baixing Group**") to acquire a 70% equity interest of the Baixing Group at a total consideration of RMB38,000,000 (the "**Acquisition**") effective 1 January 2011. On 1 January 2011, the Group's representatives were appointed to the board of directors of the Baixing Group and controlled the majority of the voting power, so as to obtain control of the financial and operating policies of the Baixing Group. Accordingly, the Baixing Group became a 70% owned subsidiary of the Group and its results are consolidated in the Group thereafter.

The fair values of the identifiable assets and liabilities of the Baixing Group as at the date of the Acquisition were as follows:

	Fair value recognised on acquisition *HK$'000*
Property, plant and equipment	74,232
Biological assets	14,853
Inventories	4,199
Trade receivables	9,282
Prepayments, deposits and other receivables	6,376
Cash and bank balances	6,030
Trade payables	(9,066)
Other payables and accruals	(61,457)
Tax payable	(27)
Deferred tax liabilities	(3,110)
Non-controlling interests	(12,394)
Total identifiable net assets at fair values	28,918
Goodwill on acquisition *(note 11)*	15,504
Satisfied by cash	44,422

An analysis of the cash flows in respect of the Acquisition was as follows:

	HK$'000
Cash consideration	(44,422)
Cash and bank balances acquired	6,030
Net outflow of cash and cash equivalents included in cash flows from investing activities	(38,392)
Transaction costs of the Acquisition included in cash flows from operating activities	(1,408)
	(39,800)

Since the Acquisition, Baixing Group contributed HK$70,186,000 to the Group's revenue and HK$6,131,000 to the consolidated profit for the year ended 31 December 2011.

OTHER INFORMATION

Dividend

In acknowledging continuous support from the Company's shareholders, the Directors have declared the payment of a final dividend of HK6.80 cents per ordinary share in respect of the year ended 31 December 2012, payable on 6 June 2013 to shareholders whose names appear on the register of member of the Company on 28 May 2013.

Closure of Register of Members

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

(i) From Monday, 20 May 2013 to Thursday 23 May 2013, both days inclusive, for the purpose of ascertaining shareholders' entitlements to attend and vote at the 2012 Annual General Meeting. In order to be eligible to attend and vote at the 2012 Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 16 May 2013; and

(ii) From Wednesday, 29 May 2013 to Wednesday 5 June 2013, both days inclusive, for the purpose of ascertaining shareholders' entitlements to the proposed final dividend. In order to establish the entitlements to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 28 May 2013.

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

Corporate Governance

During the year ended 31 December 2012, the Company has complied with all the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules.

Model Code of Securities Transactions by Directors

The Company has adopted the model code as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealings in securities of the Company by the directors (the "**Code**"). The Company, having made specific enquiry of all Directors, confirms that its Directors had compiled with the required standard set out in the Code throughout the year ended 31 December 2012.

Purchase, Sale or Redemption of Listed Securities

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

Audit Committee

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

The Company's annual results for the year ended 31 December 2012 have been reviewed by the Audit Committee, which opines that applicable accounting standards and requirements have been complied with and that adequate disclosures have been made.

Annual General Meeting

The 2012 Annual General Meeting of the Company will be held on Thursday, 23 May 2013. Notice of the 2012 Annual General Meeting will be published and issued to shareholders in due course.

Disclosure of information on the Stock Exchange's website

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

By order of the Board
Chung Wai Ping
Chairman

Hong Kong, 21 March 2013

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