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 2013

HIGHLIGHTS

	For the year ended 31 December		Increase/ (Decrease) in
	2013	2012	**%**
	(HK$'000)	*(HK$'000)*	
Revenue	**4,320,453**	4,055,809	6.5%
Profit attributable to owners of the parent	**274,204**	299,199	(8.4%)
	HK cents	*HK cents*	
Basic earnings per share	**26.84**	29.32	(8.5%)
Proposed final dividend per share	**6.3**	6.8	(7.4%)
No. of restaurants and bakery outlets at 31 December	**142**	121	
No. of restaurants and bakery outlets at announcement date	**141**	123	

* *For identification purpose only*

CHAIRMAN'S STATEMENT

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Tao Heung Holdings Limited (the "**Company**" together with its subsidiaries, "**Tao Heung**" or the "**Group**"), I would like to present the annual results of the Group for the year ended 31 December 2013.

During the latest financial year, the food catering industry continued to face stiff challenges in the form of waning consumption sentiment, escalating staff and rental costs, and in the case of Hong Kong, lacklustre economic growth aggravated by rising inflation. Despite the adverse conditions, we remained adamantly in favour of pursuing our tried and tested business strategies in Hong Kong and Mainland China, which combine prudent network expansion with effective promotions, cuisine that cater for local preferences and effective cost controls for reigning in expenditures.

In view of the Group's ability to sustain profitability during the review year, as well as its commitment to delivering fair returns to shareholders, the Board has resolved to declare a final dividend of HK6.3 cents per share. Together with an interim dividend of HK6.2 cents per share already paid, total dividend per share will amount to HK12.5 cents for the financial year, representing a payout ratio of 46.6%.

Promising developments in Mainland China

In Mainland China, the Group realised double-digit revenue growth, underscoring its ability to satisfy the increasingly discerning culinary desires of the middleclass, a segment that Tao Heung specifically targets. As at the reporting period, the Group opened an additional five restaurants in the country, located in Foshan, Guangzhou, Heshan, Shanghai and Zhongshan, thus bringing the total number of restaurants in Mainland China to 30. Such openings also helped raise revenue contribution to the Group, with the Mainland China operation accounting for 30.4% of Tao Heung's total revenue in 2013, up from 26.3% in 2012. The performance of the Shanghai establishment has been particularly encouraging, having already reached breakeven point, which suggests that our focus on first-tier cities is correct, and that moving outside of Guangdong Province, the traditional region for Cantonese cuisine, can be achieved where adequate planning and resources are in place.

Resolute amid challenging conditions in Hong Kong

Back in Hong Kong, consumption sentiment has remained lacklustre, mainly due to rising inflation. To alleviate weak local consumption sentiment, the Group continued to employ its popular promotions, including the renowned "HK$1 Chicken" and "Double Happiness" (筷樂孖寶) bundle-sale offer, along with a new "Spicy Chicken Hotpot" (麻辣雞煲) promotion which always target to reinforce the Group's core value of "Value for Money". We also opened additional four restaurants during the year, raising the total number of restaurants in the Territory to 79. Consequently, revenue from the Hong Kong operation experienced only a modest increase when compared with the corresponding period of last year.

To ensure that the Group continues to appeal to the young and mass market in Hong Kong, the past year also marked Tao Heung's further diversification into different segments. The opening of "RingerHut" in October marked the Group's entry into Japanese cuisine, while the opening of "T CAFÉ 1954" in December showcased our ability to capitalise on the popularity of the Tai Cheong Bakery operation and expand the business into a different sphere.

Outlook

Going forward, the management maintains the view that the roadmaps for growth in Mainland China and Hong Kong remain sound despite the peculiarities and challenges that each market poses.

In Mainland China, the Group's efforts at moving beyond the Pearl River Delta, and which includes opening restaurants in provincial cities has proved to be successful, as exemplified by the profitability of establishments in Nanning and Wuhan. The almost immediate success of our restaurant in Shanghai also encourages us to enhance our presence in major metropolitan centres. In each instance, a strong concentration of middleclass consumers was present; hence, we will continue to establish restaurants in areas where this important demographic is evident, whether in Guangdong Province, eastern China or provincial city given that their presence leads to stable economic conditions that are essential for any business to flourish. Correspondingly, we plan to open restaurants in provincial cities selectively, while restaurants in major cities in Guangdong province and eastern China will continue to grow according to existing plans.

In respect of "Bakerz 180", a newly acquired bakery operation in Mainland China which Tao Heung holds 60% controlling interest as of 2013, this peripheral business will continue to expand its network across Shenzhen, and will extend its reach outside the region to Guangzhou starting from 2014. The strategic acquisition of "Bakerz 180" in Mainland China, coupled with its counterpart, Tai Cheong Bakery in Hong Kong, will mean that the bakery chains will help to quickly expand the Group's overall retail channels and thereby complement its development as a whole. The management will therefore continue to direct efforts at encouraging the growth of "Bakerz 180" going forward.

Back in Hong Kong, we will further consolidate our presence in the Territory by opening around three to four restaurants in 2014. Observing a highly prudent expansion strategy, each opening will focus squarely on enhancing investment return and profitability, with the ultimate objective of achieving sustainable and stable growth. Initiatives aimed at lifting operational efficiency will also be implemented at existing restaurants to realise the aforesaid objective. With regards to maintaining customer traffic in existing and new stores, we will continue to leverage our ability to introduce good value-for-money promotions, which also serve to reward loyal patrons. Looking to build on our most recent milestones, namely, "T CAFÉ 1954" and "RingerHut", the plan for additional restaurant openings is on the table. With both restaurants having been warmly received by the public, this suggests that the two newest additions to the Tao Heung family have viable futures, creating more revenue streams for the Group.

While network expansion has been integral to the Group's advancement, so too has been the development of an effective vertical-integration framework. Hence, the efficiency of the Dongguan and Tai Po logistics centres will be of increasing relevance to the Group as it continues to develop in the Mainland China and Hong Kong markets. Mindful of this, we will further optimise food processing procedures in order to bolster efficiency while at the same time enhance food safety. With Dongguan Phase 2 set for completion by 2014, this will help facilitate the realisation of our development objectives, which include the establishment of a catering network of 200 outlets around the country by 2017.

Recognition

As Tao Heung continues to develop, exceptional management will invariably be called for. While such expertise has never been lacking, it is nonetheless an honour that our management capabilities have been recognised and supported by distinguished organizations over the years, particularly since Tao Heung operates in such a traditional industry. The earning of "Best Mid Cap Company" title from *FinanceAsia* (2008), inclusion of our company in *Forbes Asia's* renowned "Best 200 Under a Billion" list, and more recently being named "Best Small Cap Company – Hong Kong" at the "Best Managed Company in Hong Kong Awards" by Asiamoney (2013), are immense honours that we are highly grateful for and will help motivate us to achieve even more. Consequently, we will continue to examine ways to bolster our management capabilities, leading to the further advancement of Tao Heung.

Appreciation

On behalf of the Board, I would like to take this opportunity to express my appreciation to the management team for their contributions to the Group and to the entire workforce for the diligence and dedication demonstrated during the course of the year. I wish to also offer my gratitude to the many customers, business partners and shareholders for their unwavering support.

Chung Wai Ping
Chairman

Hong Kong
20 March 2014

MANAGEMENT DISCUSSIONS AND ANALYSIS

Review

The Board is pleased to announce the Group's annual results for the year ended 31 December 2013. During the past financial period, the business environment remained testing in both Hong Kong and Mainland China. In the former, rising inflation, which averaged 4.3% in 2013 according to The Census and Statistics Department, depressed consumption sentiment. Increased minimum wage also added pressure on the local catering business as people were less inclined to enter the industry, thus leading to a shortage of labour. In Mainland China, the implementation of austerity measures by the Chinese government to contain overspending among officials indirectly impacted on the catering sector as it felt the ripple effect of downturns in state-owned and commercial enterprises. In both markets the Group was not impervious to the challenging conditions, hence realising only modest revenue gains.

Optimism can nonetheless be drawn by the fact that in Mainland China, the Group's well-defined strategy of targeting the middleclass consumer segment, especially in major cities, resulted in notable business growth. In Hong Kong, the Group's effective marketing and promotion campaigns were able to stimulate consumption, and thereby help alleviate rising cost of labour and rent. Owing to increased efficiency and automation achieved at the logistics centres in Hong Kong and Mainland China, both helping to protect the profitability of the Group.

Financial Results

Total revenue generated by the Group amounted to approximately HK$4,320.5 million for the review year, representing an increase of 6.5% over the corresponding period of last year (2012: HK$4,055.8 million). Factors for the increase include the opening of nine new restaurants in 2013, four of which were in Hong Kong and five in Mainland China – including the closure or relocation of existing establishments. By being well positioned in Mainland China to tap consumption growth among the middleclass, and seizing opportunities presented by major cities including Shanghai, such factors further contributed to the rise in turnover. Underscoring the Group's encouraging development in the country was the increase in turnover achieved by the Mainland China business – up by more than 20% – despite an industry-wide recession caused by austerity measures imposed by the government to curb excessive spending by officials. EBITDA of HK$609.5 million (2012: HK$614.2 million) was reported for the year, which is similar to the corresponding period of last year. However, due to substantial depreciation recorded, particularly in relation to newly established restaurants in Mainland China, a slight decline in profitability was experienced, with profit attributable to owners of the parent amounting to HK$274.2 million (2012: HK$299.2 million).

Hong Kong Operations

The Hong Kong operations reported revenue of HK$3,006.3 million in 2013, a modest year-on-year increase of 0.6% (2012: HK$2,989.5 million). This highlights the impact of high inflation in Hong Kong and weak consumption sentiment, which was further aggravated by media exposure in April that impaired the Group's business most significantly during the second and third quarters, though began to dissipate by the fourth quarter. The turnaround was achieved through quick and decisive remedial action taken immediately after the incident. The Hong Kong operations accounted for 69.6% of the Group's total turnover. Gross profit remained at a similar level with 2012, though EBITDA declined by 12.9% to HK$368.7 million. Profit attributable to owners of the parent fell by 10.7% to HK$208.7 million, owing in part to an increase in rental and labour costs.

Tao Heung operated a total of 79 outlets in Hong Kong as at 31 December 2013, representing a net increase of four restaurants over 2012, taking into account the relocation and closure of existing establishments. To attract restaurant goers, the Group continued to employ its well-tested marketing campaigns and product promotions, including the "HK$1 Chicken", and "Double Happiness" (筷樂孖寶) special offers. Furthermore, the Group launched an innovative "Spicy Chicken Hotpot" (麻辣雞煲) promotion aimed at the mass market and thereby drove revenue contributions upward during the late-night supper period. All of the above promotions were effective at limiting the decline in customer traffic as consumption sentiment continued to sway.

Consistent with the management's objective to further refine the Group's brand portfolio to cater for different customer segments, it elected to rebrand the Tao Square (稻坊) brand to target middleclass restaurant goers. The first product of this effort was the opening of a new Tao Square restaurant in Tsim Sha Tsui, which began welcoming patrons in late 2013. The restaurant was warmly received by the general public and the Group plans to redevelop its Tao Square restaurant in Mei Foo by the end of March leveraging the initial success of the Tsim Sha Tsui establishment.

Yet another market segment that the management has continued to aggressively tap is the young consumer market. Correspondingly, several initiatives were implemented by the management during the year, leading to a number of milestones. The opening of "RingerHut" in October enabled the Group to introduce the first Nagasaki-style Champon noodle shop in Hong Kong, thus marking Tao Heung's entry into the Japanese cuisine market while concurrently enabling it to introduce a healthy ramen trend to the city. Having been well received by restaurant goers, "RingerHut" is expected to reach breakeven point in 2014. Adding to its growing number of specialty restaurants is "T CAFÉ 1954", a trendy'50s inspired café that also draws on the popularity of Tai Cheong Bakery from which its image and menu are owed.

In respect of the Tai Cheong Bakery operation, which Tao Heung holds 100% equity interest since January 2013, four new shop openings were realised during the year, thus bringing the total number of establishments to 25 as at 31 December 2013. The network expansion contributed to respectable year-on-year revenue growth of 22.3%.

Mainland China Operations

Due to shrewd network expansion over the past several years, Tao Heung has been able to achieve rapid growth in Mainland China, and this has continued during the latest financial year. As at 31 December 2013, revenue rose by 23.2% to HK$1,314.2 million, despite austerity measures implemented by the Chinese government (2012: HK$1,066.3 million). EBITDA rose at a similar rate, climbing by 26.2% to HK$240.8 million, which included a HK$7.0 million write-off on assets resulting from the closure of the wholesale segment of the poultry farm, which is part of the Group's peripheral business. A particularly positive development has been the establishment and success of its Shanghai restaurant. Opened in August 2013, it achieved operational profit within the first six months of business. The Shanghai restaurant clearly highlights Tao Heung's ability to appeal to middleclass customers in major cities; accurately positioning itself while at the same time increasing brand awareness among Mainland Chinese. Aside from the opening in Shanghai, residents in Foshan, Guangzhou, Heshan and Zhongshan were greeted to new restaurants from the Group as well. The five new restaurants opened during the review year and eight new restaurants in 2012 have however led to increase depreciation expenses, which were irregularly high during the year, rising by 50.4% year-on-year to HK$134.2 million. This together with decrease in same store sales induced by the austerity measure placed downward pressure on profitability. Nonetheless, investments in new restaurants are essential for the Group's sustainable growth in the middle-to-long term as they contribute to the creation of a larger business network and new streams of revenue and profit.

The management maintains the belief that the performance of the Mainland China operation will continue to improve once network expansion efforts are further advanced, and anticipates a rebound in the second half of 2014 after the market has fully adapted to the austerity measures introduced by the Central government.

With regards to the Bakerz 180 bakery chain that the Group holds 60% interest since May 2013, the business narrowed its losses since Tao Heung's takeover. In total, the Group absorbed HK$5.8 million in losses from the bakery chain in 2013. Breakeven point is expected to be reached in 2015 thanks to improved operating efficiency. Six stores were in operation when Tao Heung took control of the business, and two more stores were opened in 2013, bringing the total to eight. A Guangzhou outlet is also set to open in March 2014, making it the first Bakerz 180 situated outside of Shenzhen. By the end of 2014, the total number of Bakerz 180 outlets is expected to reach 13.

Logistics Centres

Both logistics centres in Tai Po and Dongguan play crucial roles in maintaining high food quality and food hygiene, as well as the cost effective implementation of the Group's various value-for-money promotions. By further enhancing efficiency during the year, the Tai Po and Dongguan logistics centres were able to achieve outputs of 1,050 tonnes per month respectively.

With respect to the Tai Po logistics centre in Hong Kong, efforts were also made at increasing automation, as well as raising the proportion of finished products delivered to restaurant so as to better standardise quality.

Peripheral business

The peripheral business continued to provide a steady source of revenue to the Group, which amounted to HK$143.6 million (2012: HK$143.8 million), a similar level in 2012. The poultry farm also realised revenue growth, rising by 15.6% year-on-year to HK$92.4 million, while fulfilling its role of providing a stable and safe supply of high-quality pork and poultry to the Group.

Financial Resources and Liquidity

As at 31 December 2013, the Group's total assets increased to approximately HK$2,610.3 million (2012: approximately HK$2,319.4 million) while the total equity increased to approximately HK$1,741.8 million (2012: approximately HK$1,577.1 million).

As at 31 December 2013, the Group had cash and cash equivalents of approximately HK$371.3 million. After deducting total interest-bearing bank borrowings of approximately HK$251.5 million, the Group had a net cash surplus position of approximately HK$119.8 million.

As at 31 December 2013, the Group's gearing ratio (defined as total interest-bearing bank borrowings plus finance lease payable divided by total shareholders' equity) was 14.7% (2012: 4.8%).

Capital Expenditure

Capital expenditure for the year ended 31 December 2013 amounted to approximately HK$531.2 million and capital commitments as at 31 December 2013 amounted to approximately HK$99.3 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 2013, the Group had contingent liabilities in respect of bank guarantees given in lieu of rental and utility deposits amounting to approximately HK$27.6 million (2012: approximately HK$28.0 million).

Foreign Exchange Risk Management

The Group's sales and purchases for the year ended 31 December 2013 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 2013, the Group had 9,557 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 2013, approximately 4,340,000 options were outstanding under the Pre-IPO Share Option Scheme and no share options have been exercised during the year. Also, as at 31 December 2013, no options have been granted or agreed to be granted pursuant to the Share Option Scheme.

Pledge of Assets

As at 31 December 2013, the Group pledged its bank deposits of approximately HK$13.3 million, leasehold land and buildings of approximately HK$40.0 million and investment properties of approximately HK$12.7 million to secure the banking facilities granted to the Group.

Prospects

The challenging business environment of 2013 is expected to extend to 2014, and players in the catering industry will be anticipating consumption sentiment to continue to be erratic.

To achieve stability under such conditions, Tao Heung will continue to introduce appealing promotions that build on the success of renowned high value-for-money offerings while concurrently strengthens the Group's reputation for good value for money. The newly launched "Spicy Chicken Hotpot" (麻辣雞煲) offer introduced in 2013 fully abides by this strategy. Just as the"HK$1 Chicken"and"Double Happiness" (筷樂孖寶) promotions have won the hearts of consumers, the newly launched"Spicy Chicken Hotpot" (麻辣雞煲) offer has successfully attracted young customers from the mass market, leading to greater late night supper revenue contributions. To develop still more varied revenue streams, the management will persist with its diversification strategy, which aims to capture even wider target segments.

With respect to the Mainland China market specifically, it remains a key growth driver that Tao Heung will continue to tap by means of network expansion. In the coming year, the Group will open between six and seven restaurants in the country, with up to two in Shanghai – building on Tao Heung's successful debut in 2013 – one in Shenzhen, one in Zhengzhou and one in Guangzhou. The Group will place particular focus on Guangdong province and eastern China going forward, as such areas have a high concentration of middleclass consumers. Additional focus will be placed on selected provincial cities to increase market penetration.

It is worth noting that the performance of the restaurant in Shanghai has been particularly outstanding, having already achieved operational profit since opening in August 2013. The management believes that this is due first and foremost to the cuisine offered, and secondly to an effective business model that recognises the consumption pattern of Shanghai's middleclass consumers, consequently offering a pricing system that aligns with their normal expenditures. The Group's success in the Shanghai market also highlights its ability to promote Cantonese cuisine as an affordable option to the general public outside Guangdong Province, as it is commonly perceived as an expensive cuisine in Mainland China.

Moving from the middleclass to the mass market, which is the target segment of the Group's business in Hong Kong, the management remains committed to bolstering its presence in this key market. As part of its expansion drive, Tao Heung will open three to four new restaurants in Hong Kong, having confirmed three locations thus far. In respect of the Tai Cheong Bakery, four to five shop openings are planned of which include "T CAFÉ 1954". Following in the footsteps of "T CAFÉ 1954" will be additional openings of "RingerHut", another newly established business that is set to grow by one to two outlets in 2014, having made its successful debut in October 2013.

With the ongoing development of the Group, greater logistical support will be called for; hence opening of the Phase 2 facility at the Dongguan Logistics Centre in 2015 will be most opportune. Construction of the new facility is expected to be completed in 2014, during which the latest production line equipment will be installed, including associated systems designed and set up by overseas experts. Upon opening, the Phase 2 facility will be highly automated to further increase the proportion of finished food delivered to restaurants, and thereby continue the process of standardising the quality of dishes offered to customers. The adoption of highly automated production methods also reduce the Group's reliance on manpower and thus alleviate pressure created by the shortage of labour in both Hong Kong and Mainland China. To encourage still higher efficiency and food quality, construction of a third logistics center in Eastern China will be considered as the Group's business matures in the region.

Though the business climate is expected to remain unstable, the management maintains the view that Tao Heung can sustain growth given its strengths in business development, marketing and promotion, and financial management. Having made clear progress in Mainland China and sustained growth in Hong Kong, the management is confident in the Group's ability to reach its goal of establishing a catering network of 200 outlets by 2017.

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 2013, together with the comparative figures for the year ended 31 December 2012 as follows:

Consolidated Statement of Profit or Loss
For the year ended 31 December 2013

	Notes	**2013**	2012
		HK$'000	*HK$'000*
REVENUE	*5*	**4,320,453**	4,055,809
Cost of sales		**(3,704,465)**	(3,424,213)
Gross profit		**615,988**	631,596
Other income and gains, net	*5*	**26,599**	26,949
Selling and distribution expenses		**(98,185)**	(85,174)
Administrative expenses		**(186,967)**	(190,850)
Other expenses		**(15,745)**	(708)
Finance costs	*6*	**(3,717)**	(604)
Share of losses of associates		**(2)**	(1)
PROFIT BEFORE TAX	*7*	**337,971**	381,208
Income tax expense	*8*	**(64,640)**	(77,220)
PROFIT FOR THE YEAR		**273,331**	303,988
Attributable to:			
Owners of the parent		**274,204**	299,199
Non-controlling interests		**(873)**	4,789
		273,331	303,988
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic (HK cents)	*10*	**26.84**	29.32
– Diluted (HK cents)	*10*	**26.76**	29.24

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 2013

	2013 HK$'000	2012 HK$'000
PROFIT FOR THE YEAR	**273,331**	303,988
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**19,199**	13,495
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**292,530**	317,483
Attributable to:		
Owners of the parent	**292,812**	312,203
Non-controlling interests	**(282)**	5,280
	292,530	317,483

Consolidated Statement of Financial Position

As at 31 December 2013

	Notes	**31 December 2013 *HK$'000***	31 December 2012 *HK$'000* *(Restated)*	1 January 2012 *HK$'000* *(Restated)*
NON-CURRENT ASSETS				
Property, plant and equipment		**1,475,878**	1,277,595	1,031,228
Prepaid land lease payments		**63,480**	63,330	19,354
Investment properties		**14,850**	12,390	8,540
Goodwill	*11*	**40,804**	38,569	38,239
Intangible asset		**1,451**	–	–
Investments in associates		**1,251**	8,587	3,316
Biological assets		**2,105**	2,087	2,803
Deferred tax assets		**71,731**	66,621	62,934
Rental deposits		**108,355**	101,043	94,278
Deposits for purchases of items of property, plant and equipment		**104,163**	16,756	38,148
Other deposit		**–**	–	1,648
Total non-current assets		**1,884,068**	1,586,978	1,300,488
CURRENT ASSETS				
Inventories		**174,813**	173,459	134,833
Biological assets		**15,618**	18,305	9,269
Trade receivables	*12*	**28,196**	27,323	25,720
Prepayments, deposits and other receivables		**112,596**	79,190	82,306
Tax recoverable		**10,441**	996	3,823
Pledged deposits		**13,268**	12,052	11,914
Restricted cash		**–**	–	71,057
Cash and cash equivalents		**371,267**	421,144	311,445
Total current assets		**726,199**	732,469	650,367
CURRENT LIABILITIES				
Trade payables	*13*	**182,647**	244,471	179,271
Other payables and accruals		**275,359**	290,046	251,200
Interest-bearing bank borrowings		**183,132**	74,485	21,868
Finance lease payables		**214**	313	323
Due to a non-controlling shareholder of subsidiaries		**–**	–	60
Tax payable		**31,868**	41,769	26,764
Total current liabilities		**673,220**	651,084	479,486
NET CURRENT ASSETS		**52,979**	81,385	170,881
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,937,047**	1,668,363	1,471,369

	Notes	**31 December 2013** **HK$'000**	31 December 2012 HK$'000 (Restated)	1 January 2012 HK$'000 (Restated)
NON-CURRENT LIABILITIES				
Other payables and accruals		**82,394**	65,953	47,971
Interest-bearing bank borrowings		**68,333**	–	–
Finance lease payables		**784**	474	621
Due to non-controlling shareholders of subsidiaries		**23,381**	11,623	11,391
Deferred tax liabilities		**20,369**	13,198	15,654
Total non-current liabilities		**195,261**	91,248	75,637
Net assets		**1,741,786**	1,577,115	1,395,732
EQUITY				
Equity attributable to owners of the parent				
Issued capital		**102,161**	102,161	101,729
Reserves		**1,551,564**	1,386,453	1,209,633
Proposed final dividend		**64,361**	69,470	67,141
		1,718,086	1,558,084	1,378,503
Non-controlling interests		**23,700**	19,031	17,229
Total equity		**1,741,786**	1,577,115	1,395,732

Notes:

1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), 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 biological assets, which have been measured at fair value. The financial statements are presented in Hong Kong dollars.

During the current year, the Group further analysed into the maturity profile of other payables and accruals included in current liabilities and considered more appropriate to properly classify certain items due to be settled more than twelve months after the reporting period as non-current liabilities. Accordingly, certain comparative amounts of other payables and accruals have been reclassified and restated to conform with current year's presentation, and a third statement of financial position as at 1 January 2012 has been presented.

Impact on the consolidated statement of financial position:

	As at 31 December 2012 *HK$'000*	As at 1 January 2012 *HK$'000*
CURRENT LIABILITIES		
Decrease in other payables and accruals	(65,953)	(47,971)
NON-CURRENT LIABILITIES		
Increase in other payables and accruals	65,953	47,971

There was no impact on the net assets and equity of the Group.

2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and 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 – Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 *– Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009–2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

Other than as further explained below regarding the impact of HKFRS 10, HKFRS 13, amendments to HKAS 1 and certain amendments included in Annual Improvements 2009–2011 Cycle, the adoption of the new and revised HKFRSs has had no significant financial effect on the financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements and addresses the issues in HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. It establishes a single control model used for determining which entities are consolidated. To meet the definition of control in HKFRS 10, an investor must have (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled. The application of HKFRS 10 does not change any of the consolidation conclusions of the Group in respect of its involvement with investees as at 1 January 2013.

(b) HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended. Additional disclosures required by HKFRS 13 for the fair value measurements of investment properties and biological assets are included in notes to the Group's financial statements.

(c) The HKAS 1 Amendments change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. In addition, the Group has chosen to use the new title "statement of profit or loss" as introduced by amendments in the financial statements.

(d) *Annual Improvements 2009–2011 Cycle* issued in June 2012 sets out the amendments to a number of standards. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments have had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

    (i) HKAS 1 *Presentation of Financial Statements:* Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

    In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and the change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

(ii) HKAS 32 *Financial Instruments: Presentation:* Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 *Income Taxes*. The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distributions to equity holders.

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 these financial statements.

HKFRS 9	*Financial Instruments*[3]
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	*Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39*[3]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*[1]
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits – Defined benefit Plans: Employee Contributions*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[1]
HKAS 36 Amendments	Amendments to HKAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets*[1]
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*[1]
HK(IFRIC)-Int 21	*Levies*[1]
Annual Improvements 2010–2012 Cycle	*Amendments to a number of HKFRSs issued in January 2014*[2]
Annual Improvements 2011–2013 Cycle	*Amendments to a number of HKFRSs issued in January 2014*[2]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 No mandatory effective date yet determined but is available for adoption

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 2013 and 2012, and certain non-current asset information as at 31 December 2013 and 2012, by geographic area.

(a) *Revenue from external customers*

	2013	2012
	HK$'000	*HK$'000*
Hong Kong	**3,006,322**	2,989,456
Mainland China	**1,314,131**	1,066,353
	4,320,453	4,055,809

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

(b) *Non-current assets*

	2013	2012
	HK$'000	*HK$'000*
Hong Kong	**625,077**	599,228
Mainland China	**1,078,905**	820,086
	1,703,982	1,419,314

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 taxes and allowances for trade discounts.

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

	2013	2012
	HK$'000	*HK$'000*
Revenue		
Restaurant and bakery operations	**4,084,487**	3,832,044
Sale of food	**143,571**	143,819
Poultry farm operations	**92,395**	79,946
	4,320,453	4,055,809
Other income and gains, net		
Bank interest income	**1,766**	1,865
Change in fair values less cost to sell of biological assets	**–**	1,845
Fair value gains on investment properties	**2,460**	3,850
Gain on disposal of items of property, plant and equipment, net	**388**	269
Government grants	**2,681**	896
Gross rental income from investment properties	**465**	495
Gross rental income from sublease of poultry market	**8,496**	9,639
Sponsorship income	**3,195**	4,670
Foreign exchange differences, net	**4,496**	–
Others	**2,652**	3,420
	26,599	26,949

6. FINANCE COSTS

	2013	2012
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable		
– Within five years	**3,684**	573
– Beyond five years	**12**	13
Interest on finance leases	**21**	18
Total interest expense on financial liabilities not at fair value through profit or loss	**3,717**	604

7. PROFIT BEFORE TAX

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

	2013	2012
	HK$'000	*HK$'000*
Cost of inventories sold	**1,441,991**	1,355,177
Depreciation*	**269,647**	233,951
Amortisation of land lease payments*	**1,204**	1,049
Amortisation of intangible asset	**52**	–
Gross rental income from investment properties	**(465)**	(495)
Employee benefit expense* (including directors' remuneration):		
Salaries and bonuses	**1,090,260**	1,026,671
Retirement benefits scheme contributions (defined contribution schemes)	**54,457**	61,576
	1,144,717	1,088,247
Lease payments under operating leases in respect of land and buildings*:		
Minimum lease payments	**326,577**	279,484
Contingent rents	**13,813**	17,417
	340,390	296,901
Change in fair values less cost to sell of biological assets	**5,433**	(1,845)
Gain on disposal of property, plant and equipment, net	**(388)**	(269)
Write-off of items of property, plant and equipment	**10,308**	708
Loss on deemed disposal of associates	**4**	–
Foreign exchange differences, net	**(4,496)**	769

* The cost of sales for the year amounting to HK$3,704,465,000 (2012: HK$3,424,213,000) included depreciation charges of HK$250,547,000 (2012: HK$191,279,000), amortisation of land lease payments of HK$1,204,000 (2012: HK$1,049,000), employee benefit expense of HK$1,060,442,000 (2012: HK$1,007,110,000) and operating lease rentals of HK$334,594,000 (2012: HK$290,637,000).

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 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.

	2013	2012
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**35,932**	47,553
Under/(over) provision in prior years	**488**	(150)
Current – Mainland China	**26,228**	35,812
Deferred	**1,992**	(5,995)
Total tax charge for the year	**64,640**	77,220

9. DIVIDENDS

	2013	2012
	HK$'000	*HK$'000*
Additional 2011 final – HK 6.60 cents	**–**	285
Interim – HK6.20 cents (2012: HK6.20 cents) per ordinary share	**63,340**	63,340
Proposed final – HK6.30 cents (2012: HK6.80 cents) per ordinary share	**64,361**	69,470
	127,701	133,095

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 subsequent to 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 amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,021,611,000 (2012: 1,020,383,869) in issue during the year.

The calculation of diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,021,611,000 (2012: 1,020,383,869), as used in the calculation of basic earnings per share and the weighted average number of ordinary shares of 3,062,111 (2012: 2,742,352) assumed to have been issued at no consideration on the deemed exercise of the Pre-IPO Share Option Scheme.

11. GOODWILL

	2013	2012
	HK$'000	*HK$'000*
Cost at 1 January	**38,569**	38,239
Acquisition of subsidiaries *(note 14)*	**1,879**	–
Exchange realignment	**356**	330
Cost and net carrying amount at 31 December	**40,804**	38,569

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:

	2013	2012
	HK$'000	*HK$'000*
Neither past due nor impaired	**11,802**	12,580
Less than 1 month past due	**8,236**	6,285
1 to 3 months past due	**4,135**	5,117
Over 3 months past due	**4,023**	3,341
	28,196	27,323

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:

	2013	2012
	HK$'000	*HK$'000*
Within 1 month	**164,506**	195,266
1 to 2 months	**8,402**	28,828
2 to 3 months	**4,440**	7,030
Over 3 months	**5,299**	13,347
	182,647	244,471

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

14. BUSINESS COMBINATIONS

During the year, the Group entered into an agreement with Baker Limited and its subsidiaries (together, the "**Baker Group**") to acquire an additional 20% equity interest of the Baker Group at a total consideration of HK$2,000 (the "**Acquisition**") and the Acquisition was completed on 29 May 2013. In the opinion of the directors, the Acquisition enables the Group to expand the bakery operation into Mainland China. Upon completion, the Baker Group became a 60% owned subsidiary of the Group and its results are consolidated into the Group thereafter.

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

	Fair value recognised on acquisition *HK$'000*
Property, plant and equipment	19,307
Intangible asset	1,488
Rental deposits	250
Inventories	1,660
Trade receivables	2,306
Prepayments, deposits and other receivables	2,252
Cash and bank balances	4,990
Trade payables	(2,187)
Other payables and accruals	(2,192)
Interest bearing bank borrowings	(4,017)
Due to the Group	(15,178)
Due to a non-controlling shareholder of subsidiaries	(11,507)
Deferred tax liabilities	(301)
Total identifiable net liabilities at fair values	(3,129)
Non-controlling interests	1,252
Goodwill on acquisition *(note 11)*	1,879
Satisfied by cash	2

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

	HK$'000
Cash consideration	(2)
Cash and bank balances acquired	4,990
Net inflow of cash and cash equivalents included in cash flows from investing activities	4,988

Since the Acquisition, the Baker Group contributed HK$13,021,000 to the Group's revenue and reduced HK$5,797,000 to the consolidated profit for the year ended 31 December 2013.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been HK$4,327,973,000 and HK$267,814,000, respectively.

OTHER INFORMATION

Dividend

In acknowledging continuous support from the Company's shareholders, the Directors have declared the payment of a final dividend of HK6.30 cents per ordinary share in respect of the year ended 31 December 2013, payable on 11 June 2014 to shareholders whose names appear on the register of member of the Company on 30 May 2014.

Closure of Register of Members

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

(i) From Monday, 19 May 2014 to Thursday, 22 May 2014, both days inclusive, for the purpose of ascertaining shareholders' entitlements to attend and vote at the 2013 Annual General Meeting. In order to be eligible to attend and vote at the 2013 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 Friday, 16 May 2014; and

(ii) From Tuesday, 3 June 2014 to Monday 9 June 2014, 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 Friday, 30 May 2014;

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 2013, 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 2013.

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 2013 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 2013 Annual General Meeting of the Company will be held on Thursday, 22 May 2014. Notice of the 2013 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, 20 March 2014

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