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 UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

HIGHLIGHTS

	For the six months ended 30 June		% Change
	2015	2014	**Increase/ (Decrease)**
	(HK$ Million)	*(HK$ Million)*	
Revenue	**2,251.8**	2,218.5	1.5
Hong Kong	**1,437.2**	1,485.4	(3.2)
Mainland China	**814.6**	733.1	11.1
EBITDA	**278.1**	299.1	(7.0)
Profit attributable to owners of the parent	**92.3**	128.0	(27.9)
Basic earnings per share (HK cents)	**9.03**	12.53	(27.9)
Proposed interim dividend per share (HK cents)	**6.0**	6.0	–
No. of restaurants and bakery outlets at 30 June	**164**	145	
No. of restaurants and bakery outlets at announcement date	**169**	145	

* *For identification purposes only*

INTERIM RESULTS (UNAUDITED)

The board of directors (the "Board") of Tao Heung Holdings Limited (the "Company"), together with its subsidiaries (collectively the "Group"), hereby announces the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2015 together with comparative figures for the corresponding period in 2014. These interim condensed consolidated financial statements for the six months ended 30 June 2015 have not been audited, but have been reviewed by the Audit Committee of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2015

		Six months ended 30 June	
		2015	2014
	Notes	**(Unaudited)**	(Unaudited)
		HK$'000	*HK$'000*
REVENUE	*5*	**2,251,835**	2,218,520
Cost of sales		**(2,003,855)**	(1,931,611)
Gross profit		**247,980**	286,909
Other income and gains, net	*5*	**9,102**	5,322
Selling and distribution expenses		**(49,450)**	(44,878)
Administrative expenses		**(96,487)**	(93,768)
Finance costs	*6*	**(1,915)**	(1,896)
Share of losses of associates		**(2)**	–
PROFIT BEFORE TAX	*7*	**109,228**	151,689
Income tax expense	*8*	**(19,617)**	(26,904)
PROFIT FOR THE PERIOD		**89,611**	124,785
Attributable to:			
Owners of the parent		**92,299**	128,029
Non-controlling interests		**(2,688)**	(3,244)
		89,611	124,785
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic	*10*	**HK9.03 cents**	HK12.53 cents
– Diluted	*10*	**HK9.02 cents**	HK12.50 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2015

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PROFIT FOR THE PERIOD	**89,611**	124,785
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(11,851)**	(29,388)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**77,760**	95,397
Attributable to:		
Owners of the parent	**80,651**	99,340
Non-controlling interests	**(2,891)**	(3,943)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**77,760**	95,397

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2015

	Notes	**30 June 2015 (Unaudited) *HK$'000***	31 December 2014 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*11*	**1,575,768**	1,552,196
Prepaid land lease payments		**80,672**	77,502
Investment properties	*11*	**17,300**	17,300
Goodwill		**40,477**	40,626
Intangible asset		**1,289**	1,346
Investments in associates		**1,248**	1,250
Biological assets		**3,655**	4,041
Deferred tax assets		**92,738**	84,140
Rental deposits		**104,004**	106,978
Deposits for purchases of items of property, plant and equipment		**85,671**	61,352
Total non-current assets		**2,002,822**	1,946,731
CURRENT ASSETS			
Inventories		**141,226**	147,834
Biological assets		**15,036**	16,743
Trade receivables	*12*	**26,513**	32,970
Prepayments, deposits and other receivables		**144,624**	116,370
Tax recoverable		**11,226**	5,929
Pledged deposits		**13,810**	13,591
Cash and cash equivalents		**291,956**	336,903
Total current assets		**644,391**	670,340
CURRENT LIABILITIES			
Trade payables	*13*	**177,712**	170,025
Other payables and accruals		**274,507**	285,701
Derivative financial instrument		**2,079**	6,221
Interest-bearing bank borrowings		**75,680**	113,527
Finance lease payables		**210**	211
Tax payable		**35,713**	26,858
Total current liabilities		**565,901**	602,543
NET CURRENT ASSETS		**78,490**	67,797
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,081,312**	2,014,528

	Notes	**30 June 2015 (Unaudited)** ***HK$'000***	31 December 2014 (Audited) *HK$'000*
NON-CURRENT LIABILITIES			
Other payables and accruals		**105,782**	88,270
Interest-bearing bank borrowings		**113,000**	80,000
Finance lease payables		**472**	564
Due to non-controlling shareholders of subsidiaries		**23,150**	23,255
Deferred tax liabilities		**18,273**	18,267
Total non-current liabilities		**260,677**	210,356
Net assets		**1,820,635**	1,804,172
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**102,161**	102,161
Reserves		**1,704,609**	1,685,255
		1,806,770	1,787,416
Non-controlling interests		**13,865**	16,756
Total equity		**1,820,635**	1,804,172

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

1. CORPORATE AND GROUP INFORMATION

The Company was incorporated in the Cayman Islands on 29 December 2005 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business in Hong Kong is located at No. 18 Dai Fat Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong.

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

– restaurant operations and provision of food catering services

– bakery operations

– production, sale and distribution of food products related to restaurant operations

– provision of poultry farm operations

2. BASIS OF PRESENTATION AND PREPARATION

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2015 (the "Interim Financial Statements") have been prepared in accordance with the Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants.

The unaudited Interim Financial Statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2014.

3. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the Interim Financial Statements are consistent with those used in the financial statements of the Group for the year ended 31 December 2014, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which are effective for the Group's accounting period beginning on or after 1 January 2015.

Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs

The adoption of these new and revised HKFRSs has had no significant financial effect on the unaudited Interim Financial Statements and there have been no significant changes to the accounting policies applied in the unaudited Interim Financial Statements.

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

HKFRS 9	*Financial Instruments*[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
HKFRS 14	*Regulatory Deferral Accounts*[4]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKAS 1	*Disclosure Initiative*[1]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[1]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2017
3 Effective for annual periods beginning on or after 1 January 2018
4 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

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 operation 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 six months ended 30 June 2015 and 2014, and certain non-current asset information as at 30 June 2015 and 31 December 2014, by geographic area.

(a) *Revenue from external customers*

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Hong Kong	**1,437,201**	1,485,376
Mainland China	**814,634**	733,144
	2,251,835	2,218,520

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

(b) *Non-current assets*

	30 June	31 December
	2015	2014
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Hong Kong	**597,357**	617,729
Mainland China	**1,208,723**	1,137,884
	1,806,080	1,755,613

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

5. REVENUE, OTHER INCOME AND GAINS, NET

Revenue represents gross revenue from restaurant, bakery and poultry farm revenue and net invoiced value of goods sold, after deduction of relevant taxes and allowances for trade discounts.

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

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
REVENUE		
Restaurant and bakery operations	**2,131,439**	2,096,636
Sale of food	**65,639**	75,079
Poultry farm operations	**54,757**	46,805
	2,251,835	2,218,520
OTHER INCOME AND GAINS, NET		
Bank interest income	**1,159**	1,072
Fair value gain on derivative financial instrument		
– transaction not qualifying as hedge	**4,142**	–
Gain on disposal of items of property, plant and equipment, net	**379**	–
Gross rental income from investment properties	**215**	227
Sponsorship income	**2,504**	2,132
Others	**703**	1,891
	9,102	5,322

6. FINANCE COSTS

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable		
– Within five years	**1,906**	1,877
– Beyond five years	**–**	5
Interest on finance leases	**9**	14
Total interest expense on financial liabilities not at fair value through profit or loss	**1,915**	1,896

7. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories sold	**750,842**	736,192
Depreciation	**166,072**	144,838
Amortisation of land lease payments	**882**	602
Amortisation of an intangible asset	**44**	44
Gross rental income from investment properties	**(215)**	(227)
Employee benefit expense (including directors' remuneration):		
Salaries and bonuses	**585,333**	572,813
Retirement benefit scheme contributions (Defined contribution schemes)	**38,574**	34,578
	623,907	607,391
Lease payments under operating leases in respect of land and buildings:		
Minimum lease payments	**183,692**	174,043
Contingent rents	**3,353**	5,784
	187,045	179,827
Fair value gain on derivative financial instrument – transaction not qualifying as hedge	**(4,142)**	–
Foreign exchange differences, net	**811**	2,584
Gain on disposal of items of property, plant and equipment, net	**(379)**	–
Write-off of items of property, plant and equipment	**90**	341

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2014: 16.5%) on the estimated assessable profits arising in Hong Kong for the six months ended 30 June 2015. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the period	**17,829**	16,798
Current – Mainland China	**10,697**	16,487
Deferred	**(8,909)**	(6,381)
Total tax charge for the period	**19,617**	26,904

9. DIVIDEND

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Proposed interim – HK6.00 cents (six months ended 30 June 2014: HK6.00 cents) per ordinary share	**61,297**	61,297

The proposed dividend for the period under review has been approved at the Company's board meeting held on 20 August 2015.

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

The calculation of the basic earnings per share amount is based on the unaudited consolidated profit for the six months ended 30 June 2015 attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,021,611,000 (period ended 30 June 2014: 1,021,611,000) in issue during the period under review.

The calculation of the diluted earnings per share amount is based on the unaudited consolidated profit for the six months ended 30 June 2015 attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,021,611,000 (period ended 30 June 2014: 1,021,611,000), as used in the basic earnings per share calculation, and the weighted average number of ordinary shares of 2,060,234 (period ended 30 June 2014: 2,914,656) assumed to have been issued at no consideration on the deemed exercise of all shares options into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**92,299**	128,029

	Number of shares	
	2015	2014
Shares		
Weighted average number of ordinary shares in issue during the peirod used in the basic earnings per share calculation	**1,021,611,000**	1,021,611,000
Effect of dilution – weighted average number of ordinary shares:		
Share options	**2,060,234**	2,914,656
	1,023,671,234	1,024,525,656

11. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the six months ended 30 June 2015, additions of property, plant and equipment and investment properties amounted to HK$147,548,000 in aggregate (six months ended 30 June 2014: HK$98,501,000).

As at 30 June 2015, leasehold land and buildings with the net carrying amount of HK$53,035,000 (31 December 2014: HK$38,994,000) situated in Hong Kong were pledged to secure banking facilities granted to the Group.

As at 30 June 2015, the Group's investment properties with a total carrying amount of HK$14,700,000 (31 December 2014: HK$14,700,000) situated in Hong Kong were pledged to secure banking facilities granted to the Group.

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 individually nor collectively considered to be impaired, is as follows:

	30 June 2015 (Unaudited) ***HK$'000***	31 December 2014 (Audited) *HK$'000*
Neither past due nor impaired	**9,843**	15,110
Less than 1 month past due	**8,270**	9,045
1 to 3 months past due	**3,010**	4,132
Over 3 months past due	**5,390**	4,683
	26,513	32,970

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:

	30 June 2015 (Unaudited) ***HK$'000***	31 December 2014 (Audited) *HK$'000*
Within 1 month	**142,352**	155,350
1 to 2 months	**23,575**	7,908
2 to 3 months	**3,578**	1,238
Over 3 months	**8,207**	5,529
	177,712	170,025

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

14. CONTINGENT LIABILITIES

	30 June 2015 (Unaudited) ***HK$'000***	31 December 2014 (Audited) *HK$'000*
Bank guarantees given in lieu of rental and utility deposits	**25,303**	25,303

15. OPERATING LEASE ARRANGEMENTS

(i) As lessor

The Group leases its investment properties to third parties under operating lease arrangements, with leases negotiated for terms ranging from one month to three years. Certain leases are terminable within notice periods given by either the Group or the lessees. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments recording to the then prevailing market conditions.

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2015 (Unaudited) ***HK$'000***	31 December 2014 (Audited) *HK$'000*
Within one year	**34**	50

(ii) As lessee

The Group leases certain of its office premises and restaurant and bakery properties under operating lease arrangements, with lease terms ranging from one to fifty years. Certain of the leases contain renewal options.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2015 (Unaudited) ***HK$'000***	31 December 2014 (Audited) *HK$'000*
Within one year	**346,967**	343,125
In the second to fifth years, inclusive	**747,351**	708,600
Beyond five years	**467,187**	474,945
	1,561,505	1,526,670

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

16. COMMITMENTS

In addition to the operating lease commitments detailed in note 15(ii) above, the Group had the following capital commitments as at the end of the reporting period:

	30 June 2015 (Unaudited)	31 December 2014 (Audited)
	HK$'000	*HK$'000*
Contracted but not provided for:		
Leasehold improvements, furniture, fixtures and equipment	**9,904**	22,502
Buildings	**58,090**	43,907
	67,994	66,409

17. RELATED PARTY TRANSACTIONS

(a) Transaction with a related party

In addition to the transactions and balances detailed elsewhere in the financial statements, the Group had the following material transaction with a related party during the period:

		Six months ended 30 June	
		2015	2014
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
Rental expense to a related party	*(i)*	**24**	24

Note:

(i) The rental expense to a related party, Madam Chan Sai Ying, who is the spouse of Mr. Chung Wai Ping, was charged based on mutually agreed terms at a monthly fixed amount of HK$4,000 (six months ended 30 June 2014: HK$4,000).

The related party transaction as disclosed above also constitute continuing connected transaction as defined in Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

(b) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Short term employee benefits	**2,623**	2,115
Post-employment benefits	**48**	44
	2,671	2,159

18. EVENT AFTER THE REPORTING PERIOD

There has been no material event after the end of the reporting period which requires disclosure in this announcement.

BUSINESS REVIEW

The Board is pleased to announce the interim results of the Group for the six months ended 30 June 2015. During the latest reporting period, the Group has continued to adapt to market conditions in Hong Kong and Mainland China, which in the case of the former, was highlighted by ongoing optimization of its restaurant network, while in the latter, was characterised by further bolstering of its presence in the country in the face of market consolidation.

Financial Results

Total revenue for the six months ended 30 June 2015 amounted to HK$2,251.8 million (period ended 30 June 2014: HK$2,218.5 million), representing a year-on-year increase of 1.5%, with the Mainland China operation contributing to the modest rise.

Earnings before interest expense, taxes, depreciation and amortisation (EBITDA) totalled HK$278.1 million (period ended 30 June 2014: HK$299.1 million), while profit attributable to owners of the parent amounted to HK$92.3 million, down 27.9% from HK$128.0 million for the corresponding period of 2014.

The Board has proposed an interim dividend of HK6.0 cents per share for the six months ended 30 June 2015, which is equivalent to a dividend payout ratio of 66.4%.

Mainland China Operations

The Mainland China operation generated revenue of HK$814.6 million during the reporting period, thus accounted for 36.2% (period ended 30 June 2014: 33.0%) of the Group's total revenue while profit attributable to owners of the parent fell to HK$15.5 million (period ended 30 June 2014: HK$35.6 million).

The rise in revenue was mainly attributed to the opening of new restaurants, specifically, two in Shanghai, two in Shenzhen and one in Guangzhou, as well as the encouraging performance of existing restaurants in Shanghai and Wuhan – Shanghai largely accounted for the rise in revenue of approximately HK$68.0 million. In total, the Group operated 42 restaurants in Mainland China as at the reporting period.

Even though revenue climbed, Mainland China operation's performance was moderated as two of the Group's flagship restaurants underwent relocation and refurbishment, the related expenses of which placed significant pressure on profitability. In particular, the refurbishment of its flagship restaurant in Guangzhou represented a two-and-a half month undertaking, resulting in loss revenue during the period and appreciable rise in depreciation expenses. Nonetheless, the opening of new restaurants and refurbishment works are all essential for enhancing the long-term competitiveness of the Group, particularly in the face of constantly changing market conditions. Such conditions include a shift in focus among restaurant operators since austerity measures were implemented by the Central Government, with high-end restaurants now turning their attention to the middleclass segment – resulting in a much more crowded and competitive marketplace. Moreover, GDP growth has been sluggish during the first and second financial quarters – expanding at its slowest rate in six years – and thereby affecting consumption sentiment. Also, with 2015 being a less auspicious year for weddings, the banquet business is expected to contract for all industry players during the year.

In respect of the Bakerz 180 bakery chain business, the Group recorded an increase in revenue of 31.0% to HK$16.4 million. The rise in turnover was the result of network expansion from 10 outlets to 22 outlets since the second half of 2014 to the end of the reporting period, as well as a new consignment arrangement reached between the Group and PARKnSHOP which has enabled the Group to benefit from lower investment costs while leveraging the efficiency of the supermarket chain's extensive network. In line with the Group's prudent approach towards expanding the bakery chain, it aims to operate approximately 24 outlets by the end of 2015, up from 18 as at the close of 2014.

Hong Kong Operations

In Hong Kong, the local operation reported revenue of HK$1,437.2 million (period ended 30 June 2014: HK$1,485.4 million) for the reporting period, a year-on-year decline of 3.2%. Despite the dip in performance, the operation continued to constitute the primary revenue source of the Group, accounting for 63.8% of total turnover.

Among the factors that led to the modest decline include a slowing rate of visitor growth from Mainland China, which was further aggravated by new rules implemented by the Chinese government in mid-April that limited travellers from Shenzhen to one visit per week to Hong Kong – reducing the equivalent of one tenth of all arrivals from the country. Moreover, the trend to subdivide properties by landlords in order to generate greater profits has continued, which in turn has spurred the Group to close large-scale restaurants in Kwun Tong, Tai Po, Kwai Fong and Tsuen Wan, relocate two restaurant and open two new medium-size restaurants. At the end of the reporting period, the Group operated a total of 70 restaurants (period ended 30 June 2014: 77), including two "RingerHut" restaurants (a third restaurant opening in July 2015) and one "T CAFÉ 1954" – both brands providing non-Chinese cuisine. The total operating area of the Group's restaurants as at the reporting period was reduced by 9.7% when compared to the corresponding period last year. Even though per head consumption increased due to such effective promotions as "HK$1 Chicken", "Hotpot Promotion" (火鍋三招) and morning yum cha discounts, overall customer traffic declined. Furthermore, with greater depreciation expenses incurred from adjustments made to the restaurant network, profit attributable to owners of the parent slipped to HK$76.8 million (period ended 30 June 2014: HK$92.4 million).

With respect to the Tai Cheong Bakery operation, the Group operated a total of 30 outlets as at the reporting period, representing an increase of three outlets from 2014. Even though revenue increased by 10.2%, its performance was affected by a rise in operating expenses as well as the use of promotions to stimulate sales and protect market share.

Logistics centres

The Tai Po and Dongguan Logistics Centres have remained key components of the Group's vertical integration infrastructure. Both centres are instrumental in processing food, maintaining food quality, controlling costs and allowing the management to investigate business opportunities in Hong Kong and Mainland China. As at the review period, the two logistics centres each processed 1,050 tonnes of food per month. Construction of Dongguan Phase 2 was completed in January 2015, and the new facility has commenced operation, principally for the processing of dim sum and Chinese baked goods.

Peripheral business

The poultry and peripheral business represents a source of supplemental income for the Group, generating revenue of HK$54.8 million as at the reporting period, compared with HK$46.8 million for the corresponding period of last year. The upturn in performance was principally due to the rise in pork prices while the price for poultry has stabilised. Irrespective of its financial contribution, the poultry farm serves the important role of providing a safe and stable supply of poultry that are enjoyed by the Group's many patrons.

Financial resources and liquidity

As at 30 June 2015, the total assets increased by 1.2% to HK$2,647.2 million (31 December 2014: HK$2,617.1 million) while the total equity increased by 0.9% to HK$1,820.6 million (31 December 2014: HK$1,804.2 million).

As at 30 June 2015, the Group had the cash and cash equivalents amounting to HK$292.0 million (31 December 2014: HK$336.9 million). After deducting the total interest-bearing bank borrowings of HK$188.7 million (31 December 2014: HK$193.5 million), the Group had a net cash surplus position of HK$103.3 million (31 December 2014: HK$143.4 million).

As at 30 June 2015, the Group's total interest-bearing bank borrowings were decreased to HK$188.7 million (31 December 2014: HK$193.5 million) during the period under review. The gearing ratio (defined as the total of interest-bearing bank borrowings and finance lease payables divided by the total equity attributable to the owners of the Company) was decreased to 10.5% (31 December 2014: 10.9%).

Capital expenditure

Capital expenditure for the six months ended 30 June 2015 amounted to HK$147.5 million (period ended 30 June 2014: HK$98.5 million) and the capital commitments as at 30 June 2015 amounted to HK$68.0 million (31 December 2014: HK$66.4 million). The capital expenditure was mainly for the renovation of the Group's new and existing restaurants and two logistics centres. The capital commitments were related to the purchase and renovation of the Group's new restaurants in Mainland China.

Pledge of assets

As at 30 June 2015, the Group pledged its bank deposits of HK$13.8 million (31 December 2014: HK$13.6 million), leasehold land and buildings of HK$53.0 million (31 December 2014: HK$39.0 million) and investment properties of HK$14.7 million (31 December 2014: HK$14.7 million) to secure the banking facilities granted to the Group.

Contingent liabilities

As at 30 June 2015, the Group had contingent liabilities in respect of bank guarantees given in lieu of rental and utility deposits amounting to HK$25.3 million (31 December 2014: HK$25.3 million).

Foreign exchange risk management

The Group's sales and purchases for the six months ended 30 June 2015 were mostly denominated in Hong Kong Dollars ("HK$") and Renminbi ("RMB"). The RMB is not a freely convertible currency. Future exchange rates of the RMB could vary significantly from the current or historical exchange rates as a result of the controls that could be imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes domestically and internationally, and the demand and supply of the RMB. The appreciation or devaluation of the RMB against HK$ may have impact on the Group results.

The Group currently does not maintain a foreign currency hedging policy. However, the management monitors the foreign exchange exposure and arranges foreign exchange forward contracts to minimize foreign currency exposure when appropriate.

Human resources

As at 30 June 2015, the Group had 10,083 employees. In order to attract and retain the high quality staff and to enable smooth operation within the Group, the Group offered competitive remuneration packages (with reference to market conditions and individual qualifications and experience) and various in-house training courses. The remuneration packages are subject to review on a regular basis.

In addition, the Group also adopted the Pre-IPO Share Option Scheme and Share Option Scheme, where eligible employees are entitled to various share options to subscribe for the ordinary shares in the Company for their past and potential contribution to the growth of the Group. As at 30 June 2015, there are 3,760,000 outstanding options granted under the Pre-IPO Share Option Scheme which have not been exercised yet. Also, as at 30 June 2015, no options have been granted or agreed to be granted pursuant to the Share Option Scheme.

Prospects

The remaining financial period will be no less challenging for the Group as both Hong Kong and Mainland China will present their own unique set of obstacles. Nonetheless, the management is well experienced in steering the Group forward based on careful examination of market conditions and the implementation of relevant strategies.

In Mainland China, market consolidation precipitated by restaurant operators migrating from the upscale to middleclass segment will be a primary concern for the management. Such concern is further aggravated by a slowdown in economic growth, with GDP already hovering at the 7% mark in the second quarter of 2015. Recent volatility in the local stock markets represents yet another negative influence that will invariably weigh on consumption sentiments. In addressing such issues, the Group will continue to focus on fortifying its position in markets where favourable results have been achieved, such as Shanghai and Wuhan in respect of the eastern and central region of China respectively, and Guangzhou and Shenzhen, which represent the southern segment of the country. During the next half year, the Group plans to open a total of four restaurants, specifically, Foshan – in cooperation with Guangzhou Metro, Wuhan – the second restaurant in the city, Wuxi – second step in the Yangtze River Delta Region after the success of the Shanghai Market and Jiangmen. Such locations are consistent with the management's focus on targeting cities where there are high concentrations of middleclass consumers.

With reference to the Bakerz 180 bakery chain, the management will look to build on the momentum gathered during the latest financial period. Towards this goal, the Group will prudently expand the number of outlets, which, as aforementioned, will reach approximately 24 by the end of 2015, with around eight in Guangzhou, 15 in Shenzhen and one in Dongguan. Also, having established cooperative ties with PARKnSHOP, the management will seek to bolster such relations while generating higher revenue for the Group.

In Hong Kong, the business environment is expected to remain lacklustre as the total number of Mainland visitor arrivals will be curbed due to new regulations. Given that Shenzhen travellers account for approximately one third of all Mainland arrivals, the new laws will in effect reduce the number of visitors to the city by 4.6 million people per year. Furthermore, local consumption sentiment is expected to remain weak, thus inflicting a double blow on a wide swath of industries within the service sector, including catering. Despite the uninspiring outlook, the Group remains strong and competitive. The management's early implementation of restaurant downsizing will enable the Group to become less susceptible to the subdividing practices of landlords going forward. Also, with the decreased area of its restaurants, the Group will require fewer staff, and therefore be less affected by the high cost of labour and labour shortages that remain concerns of the catering sector as a whole. It is worth noting as well that aside from the downsizing of restaurants, the opening of non-Chinese cuisine establishments such as "RingerHut" and "T CAFÉ 1954" has allowed the Group to attract a wider range of customers. In the upcoming financial period, the management aims to operate a network of 72 restaurants in Hong Kong, which includes three "RingerHut" restaurants and one "T CAFÉ 1954" eatery.

To appeal to customers old and new and from all walks of life, the Group will continue to offer promotions that are synonymous with the Tao Heung brand, such as the "HK$1 Chicken" and increasingly popular morning yum cha discount. At the same time, to reach out to the youth segment, the management will exploit a number of online platforms to introduce promotions.

Though the adverse business conditions in Hong Kong and Mainland China will call for close scrutiny and decisive action, the Group has proven that it is up to both tasks. In Hong Kong, the management has already implemented strategies aimed at consolidating the Group's operations, including prudently developing the restaurant network, downsizing large-scale establishments, introducing more non-Chinese cuisine restaurants and strategically opening Tai Cheong Bakery outlets to capture greater market share. Likewise, in Mainland China, the Group has been reinforcing its position in first-tier cities; raising efficiency of restaurants to meet performance benchmarks while opening more restaurants where favourable results have been achieved. The management is also committed to the Bakerz 180 bakery chain, and will leverage its brand equity and expanding presence – and resultant economies of scale – to further tap the southern China market. From all of these efforts, the Group is strengthening its position on both sides of the border – gearing towards long-term sustainable growth.

OTHER INFORMATION

Dividend

In acknowledging continuous support from our shareholders, the Directors have declared the payment of an interim dividend of HK6.00 cents per ordinary share in respect of the year ending 31 December 2015, payable on 12 October 2015 to shareholders whose names appear on the register of members of the Company on 2 October 2015.

Closure of Register of Members

The register of members of the Company will be closed from Monday, 5 October 2015 to Friday, 9 October 2015, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim 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, 2 October 2015.

Directors' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2015, the interests and short positions of the Directors in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") were as follows:

		Number of ordinary shares (long position)					
Name of Directors	*Notes*	**Personal interests**	**Family interests**	**Corporate interests**	**Equity derivatives**	**Total interests**	**% of total issued shares**
Executive Directors							
Mr. Chung Wai Ping	*(a) and (c)*	–	12,174,222	381,064,689	–	393,238,911	38.49
Mr. Wong Ka Wing	*(b)*	5,522,679	–	103,283,124	–	108,805,803	10.65
Mr. Leung Yiu Chun		800,000	–	–	–	800,000	0.08
Mr. Ho Yuen Wah		2,000,000	–	–	–	2,000,000	0.20
Non-executive Director							
Mr. Fong Siu Kwong		180,000	–	–	–	180,000	0.02

Notes:

(a) 381,064,689 shares were held by Billion Era International Limited, which is wholly-owned by Mr. Chung Wai Ping.

(b) Of these shares, 5,522,679 shares were held by Mr. Wong Ka Wing personally and 103,283,124 shares were held by Joy Mount Investments Limited, which is wholly-owned by Mr. Wong Ka Wing.

(c) 12,174,222 shares were held by Ms. Chan Sai Ying, spouse of Mr. Chung Wai Ping.

Saved as disclosed above, as at 30 June 2015, the Directors were not aware of any other person (other than the Directors and chief executive of the Company) who have the interest or short position in the shares, underlying shares of the equity derivatives of the Company which would be required to be disclosured to the Company pursuant to Part XV of the SFO.

Substantial Shareholders' Interests in Shares and Underlying Shares

As at 30 June 2015, the interests and short positions of every persons, other than directors or chief executive of the Company, in the shares and underlying shares of the Company, being 5% or more of the Company's issued share capital, as recorded in the register kept by the Company under Section 336 of the SFO were as follows:

		Number of ordinary shares (long position)	
Name of Shareholder	*Notes*	**Directly beneficially owned**	**% of total issued shares**
Billion Era International Limited	*(a)*	381,064,689	37.30
Joy Mount Investments Limited	*(b)*	103,283,124	10.11
Perfect Plan International Limited	*(c)*	102,053,976	9.99
Value Partners Limited	*(d)*	57,399,000	5.62
Whole Gain Holdings Limited		56,795,068	5.56

Notes:

(a) These shares were wholly-owned by Billion Era International Limited, which is beneficially owned by Mr. Chung Wai Ping.

(b) These shares were wholly-owned by Joy Mount Investments Limited, which is beneficially owned by Mr. Wong Ka Wing.

(c) These shares were wholly-owned by Perfect Plan International Limited, which is an indirect wholly-owned subsidiary of Café de Coral Holdings Limited.

(d) These shares were wholly-owned by Value Partners Limited, which is a wholly-owned subsidiary of Value Partners Group Limited.

Save as disclosed above, as at 30 June 2015, the Directors are not aware of any other person (other than the directors or chief executive of the Company) who have the interests or short positions in the shares and underlying shares of the Company which would be required to be disclosed to the Company pursuant to Part XV of the SFO.

Share Option Schemes

(a) *Pre-IPO Share Option Scheme*

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

At 30 June 2015, there are 3,760,000 outstanding options granted under the Pre-IPO Share Option Scheme which have not been exercised yet. Share options granted under the Pre-IPO Share Option Scheme are exercisable at HK$1.59 per share and the holders of the said share options may exercise the share options during the period from 29 June 2009 to 28 June 2017, both days inclusive.

Details of the share options outstanding as at 30 June 2015 which have been granted under the Pre-IPO Share Option Scheme are as follows:

		Number of share options					
Name	**Date of Grant**	**Outstanding at 1 January 2015**	**Granted during the period**	**Exercised during the period**	**Lapsed on expiry**	**Cancelled upon termination of employment**	**Outstanding at 30 June 2015**
Other employees	9 June 2007	3,800,000	–	–	–	(40,000)	3,760,000

(b) *Share Option Scheme*

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

Corporate Governance

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

The Company has compiled with all the code provisions and, where applicable, the recommended best practices of the Code on Corporate Governance Practices as set forth in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2015.

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 dealing in securities by the Directors of the Company. Based on specific enquiry with the Directors, all the Directors have compiled with the required standards as set out in the Code throughout the six months ended 30 June 2015, except that Mr. Chung Wai Ping purchased 90,000 shares of the Company from the market with an average price of HK$3.56 on 19 January 2015 which was within the black-out period when approving 2014 annual results.

Purchase, Sale or Redemption of Listed Securities

During the six months ended 30 June 2015, neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company's listed securities.

Publication of interim results

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).

Appreciation

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

By order of the Board
Chung Wai Ping
Chairman

Hong Kong, 20 August 2015

As at the date of this announcement, the executive directors of the Company are Mr. CHUNG Wai Ping, Mr. WONG Ka Wing, Mr. LEUNG Yiu Chun and Mr. HO Yuen Wah, the non-executive directors are Mr. FONG Siu Kwong and Mr. CHAN Yue Kwong, Michael and the independent non-executive directors are Professor CHAN Chi Fai, Andrew, Mr. MAK Hing Keung, Thomas and Mr. NG Yat Cheung