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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 2015

HIGHLIGHTS

	For the year ended 31 December		Increase/ (Decrease) in
	2015	2014	**%**
	(HK$'000)	*(HK$'000)*	
Revenue	**4,546,478**	4,489,244	1.3%
Profit attributable to owners of the parent	**171,323**	207,368	(17.4%)
	HK cents	*HK cents*	
Basic earnings per share	**16.77**	20.30	(17.4%)
Proposed final dividend per share	**6.0**	6.0	–
No. of restaurants and bakery outlets at 31 December	**166**	154	
No. of restaurants and bakery outlets at announcement date	**163**	158	

* *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 2015.

Over the past year, consumption sentiment in Mainland China and Hong Kong weakened in the face of economic uncertainties on both sides of the border. This was underscored at the end of the year when the Chinese government reported GDP growth of 6.9% for 2015, a level not seen since 1990. Hong Kong did not fare much better, with GDP growth of around 2.4%. The downward trend again reminded us, as if we needed reminding, that we are living in challenging times.

Of course peaks and troughs come and go, and the Group has seen its fair share of economic cycles. As a company that will be celebrating its 25th anniversary in 2016, it fully understands that foresight, perseverance, determination and adaptability are not only essential, but also the determinants of success.

HONG KONG: OUR HOME AND FOUNDATION

In Hong Kong, all of these attributes were used to underpin our position in a market that has experienced internal and external pressures. While the economy is an ongoing concern, so too are weakening consumption sentiment and limited availability of prime restaurant spaces. To tackle the former, we have sought to inject new life into the segment by creating innovative dishes that appeal to the palate and the pocketbook. We have also continued to offer renowned promotions such as "HK$1 Chicken", "Half price Storm" and "Fo Tiao Qiang" which are synonymous with the Tao Heung brand. With regards to the latter, we were among the first to downsize our premises, hence we are also among the first to complete such efforts. Though we continue to operate 71 outlets in Hong Kong, the operating area has been reduced by 7.4% and 3.2% when compared with 2013 and 2014 respectively. Despite of this, turnover has declined modestly when compared with the 2014 reporting period, while more encouragingly, earnings before interest, taxes, depreciation and amortisation (EBITDA) have risen as has profit attributable to owners of the parent. The conclusion of our downsizing efforts have also enabled us to reduce our susceptibility to rising labour costs and labour shortages, though both concerns were less serious during the past year.

While the Group is associated with Chinese cuisine, we are also continuing to make our presence felt through alternative fare. The comfort foods offered by "RingerHut" and "T CAFÉ 1954" have enabled us to cater for a younger demographic, and thereby welcome new generations of customers into the fold. Of course, to reach customers young and old there is Tai Cheong Bakery. With products that range from Chinese pastries and Western cakes to seasonal treats, and a network of 28 outlets covering all corners of the city, we are indeed reaching out to customers from all walks of life.

MAINLAND CHINA: THE CHANGING TIDE

Even though Hong Kong remains our foundation, Mainland China represents our springboard; allowing us to seize opportunities to come. Such opportunities were, however, more difficult to capture in the past year as the continuing influx of upscale restaurant operators to the middleclass segment directly impacted on the Group. Moreover, the growing number of shopping centres being developed in cities has led to a rising number of new restaurants. Compounding matters has been the impact of e-commerce on the retail sector. With an increasing number of consumers electing to shop online, this has resulted in the departure of retail stores that are unable to compete, and in their place are often F&B players. In reaction, we have adopted a business model similar to that used in Hong Kong. Correspondingly, our objective has been to operate smaller scale restaurants that offer more novel dining experiences and which appeal to a younger generation of restaurant-goers. New openings in Shanghai, Shenzhen and Wuhan during the past year have followed this model and performed favourably, contributing to the rise in revenue. With a total of 45 restaurants now operating in Mainland China, up from 37 in 2014, the operations continue to account for a rising proportion of total revenue – reaching 35.6% in 2015 – the eighth consecutive year of growth.

Representing our third year of ownership is the Bakerz 180 bakery chain, which benefited from an expanded network; rising from 8 since 2013 to 22 outlets by year end. The consolidation of its presence in first-tier cities including Guangzhou and Shenzhen underscores our commitment to develop the bakery chain which, despite being in a developmental stage, possesses immense growth potential and is set to benefit from greater economies of scale.

25 YEARS: A NEW STARTING POINT

As the new year ushers in the 25th anniversary of the Group, we are both excited by the prospects of celebrating this momentous occasion, and greatly motivated to build on our success so that the next 25 years will be equally fruitful, if not more so.

With Hong Kong being our home, we will bring our celebrations to the public by implementing associated marketing campaigns that also help to further raise the brand equity of Tao Heung. Though we have completed downsizing our many restaurants, we will continue to look for new opportunities to strengthen our footing in this important market so that we can accommodate the needs of our customers even better.

In Mainland China, we view the changing restaurant landscape as being a new opportunity for the Group, since our ability to adapt to change will drive further growth. Indicative of this adaptability is the introduction of smaller scale restaurants now underway in the country which, if Hong Kong is a fair gauge, will likewise result in higher efficiency and broader appeal, particularly among the young. And like Hong Kong, we anticipate that with the introduction of new menus focusing on our hero products which are temptingly presented, as well as dining options that include our beverage and juice corner, still greater excitement will be brought to the local restaurant scene.

As we embark on endeavours to further consolidate our position in the market, we will continue to draw on our strengths in management, infrastructure and financial stability. By doing so, we will also be opening the way to new opportunities for sustaining the Group's growth, which is fundamental for protecting the interests of our stakeholders.

In our commitment to deliver fair returns to the Group's shareholders, the Board has resolved to declare a final dividend of HK6.0 cents per share, which, combined with an interim dividend of HK6.0 cents already paid, amounts to a total dividend of HK12.0 cents for the financial year, representing an annual payout ratio of 71.6%.

APPRECIATION

On behalf of the Board, I wish to take this opportunity to express my immense appreciation to the management team and the entire workforce for their commitment and diligence during the past year. Also, I would like to offer my gratitude to all of our customers, business partners and shareholders for their unwavering support.

Chung Wai Ping
Chairman
Hong Kong

29 March 2016

MANAGEMENT DISCUSSIONS AND ANALYSIS

Review

The Board is pleased to announce the annual results of the Group for the year ended 31 December 2015. Over the past year, the Group witnessed its operations in Hong Kong and Mainland China experience downward pressure as the respective two economies weakened, with the latter expanding at its slowest rate since 2011. With consumption sentiment already on the wane, yet a further blow came when stock markets experienced major sell-offs in the second half year. In the face of such challenges, the Group prudently optimised its operations on both sides of the border, with the Hong Kong business achieving a modest turnaround in real terms while revenue derived from the Mainland China operation rose modestly.

Financial Results

For the year ended 31 December 2015, total revenue of HK$4,546.5 million was recorded, up from HK$4,489.2 million for last year. The Hong Kong operation remained the principal revenue contributor of the Group, accounting for 64.4% (2014: 66.1%) of total revenue, with the Mainland China operation accounting for 35.6% (2014: 33.9%) of total revenue. Gross profit margin is maintained at a similar level with last year, attributed to stable food prices, efficient control over food wastage and effective food chain management. Profit attributable to owners of the parent fell to HK$171.3 million (2014: HK$207.4 million), due largely to poor sentiments of the PRC consumption market and policies that impacted on business and banquet spending. The management has devised strategies to tackle the situation and believes performance will gradually improve moving forward.

Hong Kong Operations

Hong Kong operations recorded revenue of HK$2,925.7 million (2014: HK$2,968.3 million) for the reporting year, a modest decline of 1.4% year-on-year. Earnings before interest, taxes, depreciation and amortisation (EBITDA) have risen by 10.7% to HK$334.2 million (2014: HK$301.9 million), while profit attributable to owners of the parent increased by 16.9% to HK$167.5 million (2014: HK$143.3 million). The bottom line improvement is a result of the Group's continuous efforts in streamlining operations and controlling costs over the years.

During the year, the operating environment in Hong Kong remained challenging, with a fluctuating stock market and decline in Mainland visitor arrivals, spending sentiment has been deteriorating. However, with Tao Heung's restaurants mostly positioned to target the mass market segment, the Group has nevertheless benefited from the economic downturn as consumers choose value-for-money options when dining out. And even though the total operating area has been reduced from approximately 716,000 sq. ft. in 2013 to approximately 663,000 sq. ft. by the close of 2015, representing an almost 7.4% and 3.2% reduction when compared with 2013 and 2014 respectively, revenue has remained at a similar level with 2014, proving also that the Group's on-going marketing efforts to boost customer traffic have paid off.

Downsizing of the Group's Hong Kong outlets due to landlords subdividing properties to boost profits in the past few years has recently been completed. The process has enabled the Group to create a much leaner and more efficient restaurant network, releasing pressure from the labour shortage. As at 31 December 2015, the Group operated a total of 71 outlets (2014: 72 outlets), which include four Tao Square restaurants that target the middleclass segment, three "RingerHut" restaurants serving Japanese ramen, and one "T CAFÉ 1954" café offering casual dining options. With regards to Tai Cheong Bakery, a total of 28 outlets are in operation as at year-end (2014: 27); revenue increased modestly by 5.9% to HK$112.0 million.

Cost control has been another key area of focus of the management. During the year, food cost stayed relatively stable, while rental and staff costs both accounted for a lower proportion of turnover, attributable largely to the management's efforts to streamline operations and boost efficiency. The Group's effective cost management strategies were key to the improved performance of the Hong Kong business during the year. The management believes that the most difficult time has passed and looks forward to continual improvements in the Hong Kong operations.

Mainland China Operations

Mainland China operations recorded revenue increase of 6.6% to HK$1,620.8 million (2014: HK$1,520.9 million) during the year. Yet excluding the one-off written off and impairment of items of property, plant and equipment of HK$13.5 million, EBITDA slipped to HK$218.3 million (2014: HK$252.7 million); while profit attributable to owners of the parent was HK$12.2 million (2014: HK$64.1 million). The poor spending sentiment, fierce competition in the market and unfavourable policies were main factors for the drop in segment profit.

While the significant economic slowdown directly impacted on the performance of the Group, still other factors weighed on its business in Mainland China, including rising competition from new restaurant openings due to increased availability of retail space, as a result of the surging popularity of online shopping together with the increasing number of shopping centres being opened in major metropolitan hubs. Also, a greater number of restaurant operators have migrated from the upscale premium to the middleclass and mass market segments since austerity measures were implemented by the PRC government. In addition, recent policies aimed at fighting corruption nationwide have also caused a reduction in the scale and number of dinner banquet bookings among the Groups outlets. Despite the aforementioned challenges, revenue from the Mainland China operation remained stable, which can be attributed to the careful expansion of the Group's restaurant network – standing at 45 as at year end (2014: 37 restaurants).

During the year, new restaurants were opened in Wuhan, Shenzhen, Guangzhou and Shanghai with positive market response. In an effort to move away from the traditional large-scale banquet-style outlets, these new establishments are of relatively smaller scale and followed a casual-dining style, targeting middleclass and younger demographic groups. Menus were also updated with more casual items and less focus on expensive business and formal dining items. Responses from customers so far have been encouraging and the management is planning to move forward with such a business model. It is worth noting as well that the relocation and refurbishment of two flagship restaurants in Shenzhen and Guangzhou earlier in the year have been completed and operations have recommenced.

Bakerz 180 met its target of operating 22 outlets by the end of 2015, up from 18 as at the close of 2014. Although it remained in a developmental stage, it has continued to generate increasingly higher revenue, reaching HK$35.9 million (2014: HK$27.3 million) for the year, an increase of 31.5%, but still making a loss at its developmental stage. The management remains confident about the prospects of Bakerz 180 as the PRC is a huge market for reasonably-priced quality bakery products. Moreover, having reached a consignment agreement with PARKnSHOP during the first half year, which enabled the Group to benefit from lower investment costs. This has also allowed the Group to leverage the supermarket operator's extensive network for market expansion.

Logistics Centres

The logistics centres in Tai Po and Dongguan represent key components of the Group's vertical integration backbone. Each facility has reached a monthly food processing capacity of 1,050 tonnes, thus effectively supporting all of the Group's restaurants and bakery arms in Hong Kong and Mainland China. Providing added support is Dongguan Phase 2 which was completed in January 2015, and is now fully operational. It is primarily involved in the processing of dim sum and Chinese baked goods.

Representing a pilot project aimed at capitalising on the production capacity available at its Dongguan facilities, the Group established a self-owned retail point adjacent to the logistics centre for selling pre-packed chilled and frozen products, breads and other baked goods directly to end-user customers in the area. The response from customers has been satisfactory.

Poultry and Peripheral Business

The poultry and peripheral business generated supplementary income amounting to HK$114.8 million (2014: HK$90.7 million) and HK$143.3 million (2014: HK$153.9 million) respectively during the reporting year. The satisfactory results reflect more favourable prices for pork complemented by stable poultry prices. It cannot be overemphasised that the poultry farm is an important asset as it ensures the Group is provided with a steady and safe supply of quality poultry.

Financial Resources and Liquidity

As at 31 December 2015, the Group's total assets increased to approximately HK$2,671.7 million (2014: approximately HK$2,617.1 million) while the total equity was approximately HK$1,788.0 million (2014: approximately HK$1,804.2 million).

As at 31 December 2015, the Group had cash and cash equivalents of approximately HK$397.5 million. After deducting total interest-bearing bank borrowings of approximately HK$279.5 million, the Group had a net cash surplus position of approximately HK$118.0 million.

As at 31 December 2015, the Group's gearing ratio (defined as total interest-bearing bank borrowings plus finance lease payable divided by total equity attributable to owners of the parent) was 15.7% (2014: 10.9%).

Capital Expenditure

Capital expenditure for the year ended 31 December 2015 amounted to approximately HK$393.0 million and capital commitments as at 31 December 2015 amounted to approximately HK$56.3 million. The capital expenditure were mainly for the renovation of the Group's new and existing restaurants and construction of Phase 2 of Dongguan Logistics Centre while the capital commitments relate to new and existing restaurants.

Contingent Liabilities

As at 31 December 2015, the Group had contingent liabilities in respect of bank guarantees given in lieu of rental and utility deposits amounting to approximately HK$23.8 million (2014: approximately HK$25.3 million).

Foreign Exchange Risk Management

The Group's sales and purchases for the year ended 31 December 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 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 arranges foreign exchange forward contracts to minimize foreign currency exposure when appropriate.

Human Resources

As at 31 December 2015, the Group had 9,433 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 as well as external 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 2015, approximately 3,520,000 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 2015, no options have been granted or agreed to be granted pursuant to the Share Option Scheme.

Pledge of Assets

As at 31 December 2015, the Group pledged its bank deposits of approximately HK$13.1 million, leasehold land and buildings of approximately HK$87.7 million and investment properties of approximately HK$18.5 million to secure the banking facilities granted to the Group.

Prospects

Though the economic environment in Hong Kong and Mainland China remains challenging, management is cautiously optimistic about the Group's future, having taken decisive actions early on to create a lean and strong foundation that can weather through ups and downs of the economy. While looking to reap the benefits of its early efforts, the management will at the same time continue to closely monitor developing trends and initiate strategies that ensure the Group is adaptive to change, particularly as it marks its 25th anniversary in 2016.

In respect of the Hong Kong operations, the management trusts that having implemented a downsizing strategy early on, it is on track to profit from a leaner and more efficient restaurant network; and the past year's performance substantiates this. With the 25th anniversary of the Group on the horizon, the management will use the occasion to further bolster the brand equity of Tao Heung, and thereby sustain growth momentum. In the pipeline are associated marketing initiatives that supplement other popular campaigns, such as the venerable "HK$1 Chicken" promotion. Still another initiative will include offering exceptional discounts on signature Tao Heung dishes during different period. Aside from such efforts, the management will continue to cautiously expand its presence in the city with the opening of between one and two Chinese restaurants, as well as up to two RingerHut restaurants to appeal to those wanting convenient Japanese cuisine.

The Tai Cheong bakery operation will likewise have a modest increase in shops; possibly reaching the 30 mark by the close of 2016 – presently at 28. Besides expanding the bakery's presence locally, the management has established a joint venture to operate Tai Cheong outlets in Singapore and Malaysia, with plans to have the first outlet in Singapore opened in the first half of 2016.

Though the Mainland China operations grew at a slower pace as the economic downturn worsened, compounded by intense competition and lacklustre consumption sentiment, the management remains confident about the Group's prospects in the country. The management will adjust its strategy, placing greater emphasis on casual dining targeting the non-business middleclass market segment, such as families and younger generations with increasing spending power. Correspondingly, new menus will be introduced that offer modern Chinese cuisine, as well as greater flexibility in selecting food items during the course of the day. The transformation process will also involve the separation of large-scale restaurants into banquet and themed restaurants to bolster efficiency, control costs and better allocate manpower. With the transformation on track, the management will not only vary its operation strategy, but also focus on rationalising the workflow of restaurants in order to reduce associated operating costs. Besides optimising the existing network, a modest increase of between four and five restaurants is envisaged, including one new restaurant in Shanghai and Wuxi respectively.

Aside from developing its core business, the Group will also look to achieve progress in its other interests. Recognising that direct retail food distribution represents a logical means of optimising utilisation of its logistics centres, the management will closely monitor developments at the new retail point in Dongguan and consider the feasibility of opening additional points in the future. Also, regarding the Bakerz 180 bakery chain, the management will continue to invest and develop the business in view of the large demand that exists among the population at large.

While celebrating the Group's 25th anniversary will be a highlight in the coming year, the management will at the same time regard the occasion as an important opportunity for breaking new ground. Having steadily amassed all of the key components essential for building a successful Chinese restaurant empire, such as efficient restaurant network, complementary production and logistics support, and corresponding peripheral businesses, the management will leverage all of these competitive edges to grasp emerging opportunities, and thereby access new revenue streams and deliver greater returns to the Group's shareholders.

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 2015, together with the comparative figures for the year ended 31 December 2014 as follows:

Consolidated Statement of Profit or Loss
For the year ended 31 December 2015

	Notes	**2015** *HK$'000*	2014 *HK$'000*
REVENUE	*5*	**4,546,478**	4,489,244
Cost of sales		**(4,049,234)**	(3,953,628)
Gross profit		**497,244**	535,616
Other income and gains, net	*5*	**26,462**	22,786
Selling and distribution expenses		**(105,497)**	(98,652)
Administrative expenses		**(195,100)**	(194,116)
Other expenses		**(19,682)**	(10,817)
Finance costs	*6*	**(4,618)**	(3,340)
Share of losses of associates		**(2)**	(1)
PROFIT BEFORE TAX	*7*	**198,807**	251,476
Income tax expense	*8*	**(37,445)**	(50,818)
PROFIT FOR THE YEAR		**161,362**	200,658
Attributable to:			
Owners of the parent		**171,323**	207,368
Non-controlling interests		**(9,961)**	(6,710)
		161,362	200,658
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic (HK cents)	*10*	**16.77**	20.30
– Diluted (HK cents)	*10*	**16.74**	20.25

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2015

	2015	2014
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**161,362**	200,658
OTHER COMPREHENSIVE INCOME		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(54,931)**	(12,616)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**106,431**	188,042
Attributable to:		
Owners of the parent	**117,024**	194,988
Non-controlling interests	**(10,593)**	(6,946)
	106,431	188,042

Consolidated Statement of Financial Position
As at 31 December 2015

	Notes	**2015**	2014
		HK$'000	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**1,468,003**	1,552,196
Prepaid land lease payments		**77,010**	77,502
Investment properties		**21,900**	17,300
Goodwill		**39,903**	40,626
Intangible asset		**1,223**	1,346
Investments in associates		**1,248**	1,250
Biological assets		**3,600**	4,041
Deferred tax assets		**87,532**	84,140
Rental deposits		**112,102**	106,978
Deposits for purchases of items of property, plant and equipment		**142,086**	61,352
Total non-current assets		**1,954,607**	1,946,731
CURRENT ASSETS			
Inventories		**144,265**	147,834
Biological assets		**15,049**	16,743
Trade receivables	*11*	**25,735**	32,970
Prepayments, deposits and other receivables		**114,304**	116,370
Tax recoverable		**7,216**	5,929
Pledged deposits		**13,083**	13,591
Cash and cash equivalents		**397,453**	336,903
Total current assets		**717,105**	670,340
CURRENT LIABILITIES			
Trade payables	*12*	**159,831**	170,025
Other payables and accruals		**286,114**	285,701
Derivative financial instrument		**1,241**	6,221
Interest-bearing bank borrowings		**194,021**	113,527
Finance lease payables		**202**	211
Tax payable		**21,995**	26,858
Total current liabilities		**663,404**	602,543
NET CURRENT ASSETS		**53,701**	67,797
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,008,308**	2,014,528

	Notes	2015 HK$'000	2014 HK$'000
NON-CURRENT LIABILITIES			
Other payables and accruals		**94,804**	88,270
Interest-bearing bank borrowings		**85,451**	80,000
Finance lease payables		**354**	564
Due to non-controlling shareholders of subsidiaries		**22,747**	23,255
Deferred tax liabilities		**16,943**	18,267
Total non-current liabilities		**220,299**	210,356
Net assets		**1,788,009**	1,804,172
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**102,161**	102,161
Reserves		**1,679,685**	1,685,255
		1,781,846	1,787,416
Non-controlling interests		**6,163**	16,756
Total equity		**1,788,009**	1,804,172

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**") and accounting principles generally accepted in Hong Kong and the disclosure requirement of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, biological assets and derivative financial instrument which have been measured at fair value. The financial statements are presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand except when otherwise indicated.

2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

The adoption of the above revised standards has had no significant financial effect on the financial statements.

In addition, the Company has adopted the amendments to the Listing Rules issued by the Hong Kong Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

3. ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
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 2018
3 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
4 No mandatory effective date is determined but is available for early adoption.

The Group is in the process of making an assessment of the impact of the 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 2015 and 2014, and certain non-current asset information as at 31 December 2015 and 2014, by geographic area.

(a) Revenue from external customers

	2015	2014
	HK$'000	*HK$'000*
Hong Kong	**2,925,680**	2,968,348
Mainland China	**1,620,798**	1,520,896
	4,546,478	4,489,244

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

(b) Non-current assets

	2015	2014
	HK$'000	*HK$'000*
Hong Kong	**573,954**	617,729
Mainland China	**1,181,019**	1,137,884
	1,754,973	1,755,613

The non-current asset information above is based on the location 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 operations 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:

	2015	2014
	HK$'000	*HK$'000*
Revenue		
Restaurant and bakery operations	**4,288,386**	4,244,675
Sale of food and other items	**143,296**	153,896
Poultry farm operations	**114,796**	90,673
	4,546,478	4,489,244
Other income and gains, net		
Bank interest income	**3,152**	2,672
Change in fair value less costs to sell of biological assets	**1,846**	4,176
Fair value gains on investment properties	**4,600**	2,450
Gain on disposal of items of property, plant and equipment, net	**900**	–
Government grants	**644**	4,755
Gross rental income from investment properties	**421**	477
Sponsorship income	**4,305**	3,318
Net gain on settlement of derivative financial instruments	**–**	1,010
Fair value gain on derivative financial instrument – transaction not qualifying as hedge	**4,980**	–
Others	**5,614**	3,928
	26,462	22,786

6. FINANCE COSTS

	2015	2014
	HK$'000	*HK$'000*
Interest on bank loans	**4,598**	3,313
Interest on finance leases	**20**	27
Total interest expense on financial liabilities not at fair value through profit or loss	**4,618**	3,340

7. PROFIT BEFORE TAX

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

	2015	2014
	HK$'000	*HK$'000*
Cost of inventories sold	**1,519,237**	1,504,894
Depreciation*	**337,491**	302,198
Amortisation of land lease payments*	**1,752**	1,254
Amortisation of intangible asset	**88**	90
Gross rental income from investment properties	**(421)**	(477)
Employee benefit expense* (including directors' remuneration):		
Salaries and bonuses	**1,178,546**	1,159,369
Retirement benefits scheme contributions	**81,077**	68,739
	1,259,623	1,228,108
Lease payments under operating leases in respect of land and buildings*:		
Minimum lease payments	**369,484**	360,319
Contingent rents	**6,795**	10,265
	376,279	370,584
Change in fair values less cost to sell of biological assets	**(1,846)**	(4,176)
Loss/(gain) on disposal of property, plant and equipment, net	**(900)**	10
Impairment of items of property, plant and equipment#	**10,348**	–
Write-off of items of property, plant and equipment	**4,158**	1,263
Fair value loss/(gain) on derivative financial instruments – transactions not qualifying as hedges	**(4,980)**	6,221
Net loss/(gain) on derivative financial instruments	**4,201**	(1,010)
Foreign exchange differences, net	**2,918**	3,614

* The cost of sales for the year amounting to HK$4,049,234,000 (2014: HK$3,953,628,000) included depreciation charges of HK$315,159,000 (2014: HK$280,905,000), amortisation of land lease payments of HK$1,752,000 (2014: HK$1,254,000), employee benefit expenses of HK$1,163,563,000 (2014: HK$1,136,916,000) and operating lease rentals of HK$375,046,000 (2014: HK$370,317,000).

\# Impairment of items of property, plant and equipment is included in "other expenses" in the consolidated statement of profit or loss.

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 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.

	2015	2014
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**36,133**	37,960
Overprovision in prior years	**(403)**	(294)
Current – Mainland China	**6,768**	27,788
Deferred	**(5,053)**	(14,636)
Total tax charge for the year	**37,445**	50,818

9. DIVIDENDS

	2015	2014
	HK$'000	*HK$'000*
Interim – HK6.00 cents (2014: HK6.00 cents) per ordinary share	**61,297**	61,297
Proposed final – HK6.00 cents (2014: HK6.00 cents) per ordinary share	**61,297**	61,297
	122,594	122,594

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 the 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 (2014: 1,021,611,000) in issue during the year.

The calculation of the diluted earnings per share amounts 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 (2014: 1,021,611,000), as used in the basic earnings per share calculation, and the weighted average of ordinary shares of 1,809,766 (2014: 2,668,779) assumed to have been issued at no consideration on the deemed exercise of all share options into ordinary shares.

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

	2015	2014
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**171,323**	207,368

	Number of shares	
	2015	2014
Shares		
Weighted average number of ordinary shares in issue during the year 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	**1,809,766**	2,668,779
	1,023,420,766	1,024,279,779

11. TRADE RECEIVABLES

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

	2015	2014
	HK$'000	*HK$'000*
Neither past due nor impaired	**13,764**	15,110
Less than 1 month past due	**5,098**	9,045
1 to 3 months past due	**2,582**	4,132
Over 3 months past due	**4,291**	4,683
	25,735	32,970

12. 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:

	2015	2014
	HK$'000	*HK$'000*
Within 1 month	**140,987**	155,350
1 to 2 months	**9,831**	7,908
2 to 3 months	**4,878**	1,238
Over 3 months	**4,135**	5,529
	159,831	170,025

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

OTHER INFORMATION

Dividend

In acknowledging continuous support from the Company's shareholders, the Directors have declared the payment of a final dividend of HK6.00 cents per ordinary share in respect of the year ended 31 December 2015, payable on 14 June 2016 to shareholders whose names appear on the register of member of the Company on 30 May 2016.

Closure of Register of Members

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

(i) From Thursday, 19 May 2016 to Wednesday 25 May 2016, both days inclusive, for the purpose of ascertaining shareholders' entitlements to attend and vote at the 2015 Annual General Meeting. In order to be eligible to attend and vote at the 2015 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 Wednesday, 18 May 2016; and

(ii) From Tuesday, 31 May 2016 to Thursday, 02 June 2016, 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 Monday, 30 May 2016.

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 2015, 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 for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set forth in Appendix 10 of the Listing Rules as its own code of conduct for dealing in securities by the Directors of the Company. Based on specific enquiry with the Directors, all the Directors have complied with the required standards as set forth in the Model Code throughout the year under review, 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 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 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 2015 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. The Audit Committee of the Company has met the external auditors of the Company, Ernst & Young and reviewed the consolidated financial statements of the Group for the year ended 31 December 2015.

Annual General Meeting

The 2015 Annual General Meeting of the Company will be held on Wednesday, 25 May 2016. Notice of the 2015 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, 29 March 2016

As at the date of this announcement, the board of directors of the Company comprised 9 directors, of which four are executive directors, namely Mr. Chung Wai Ping, Mr. Wong Ka Wing, Mr. Leung Yiu Chun and Mr. Ho Yuen Wah; two are non-executive directors, namely Mr. Fong Siu Kwong and Mr. Chan Yue Kwong, Michael and three are independent non-executive directors namely Professor Chan Chi Fai, Andrew, Mr. Mak Hing Keung, Thomas and Mr. Ng Yat Cheung