TAO HEUNG HOLDINGS LIMITED
稻香控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 573)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

2007 ANNUAL RESULTS HIGHLIGHTS

- Revenue increased by 33.4% to approximately HK$2,099.7 million for the year ended 31 December 2007 (2006: approximately HK$1,574.4 million).
- Profit attributable to equity holders grew by 44.3% to approximately HK$200.3 million (2006: approximately HK$138.8 million).
- Basic earnings per share was HK21.19 cents (2006: HK15.85 cents), representing an increase of 33.7%.
- The Board proposed a final dividend of HK5.00 cents per share. Together with the interim and special dividends of HK6.21 cents per share paid during the year, total dividends for the entire financial year will be HK11.21 cents per share, representing a payout ratio of 52.9%.
- Net assets value per share increased to HK91.83 cents.
- Net cash per share amounted to HK38.28 cents.
- Total number of restaurants reached 54 as at 31 December 2007 and 56 as at the date of this announcement.

CHAIRMAN'S STATEMENT

To our shareholders

On behalf of the Board of Directors (the "**Board**") of Tao Heung Holdings Limited (the "**Company**"), together with its subsidiaries (collectively "**Tao Heung**" or the "**Group**"), I am pleased to present the annual results of the Group for the year ended 31 December 2007.

In June 2007, following years of rapid expansion in our restaurant operations, the Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), which was an important milestone in recognition of the Group's leading market position, business and financial strengths. However, this milestone should not overshadow the accomplishments that were also made in our restaurant operations, both in Hong Kong and Mainland China, as well as the opening of our new food processing and logistics centre in Dongguan (the "**Dongguan Logistics Centre**") during the year.

For the year under review, we have been able to deliver a solid financial and operational performance. The Group's revenue and profit attributable to equity holders achieved a record high of approximately HK$2.1 billion and HK$200.3 million respectively. As at 31 December 2007, the Group's financial position continued to be strong, with net asset value increasing to approximately HK$931.6 million and net cash of approximately HK$388.3 million.

As the Group continues to maintain a healthy net cash position for funding our future expansion plans and potential development opportunities, I would recommend to the Board to deliver greater return to our equity holders with a proposed final dividend of HK5.00 cents per share. Together with the interim and special dividends of HK6.21 cents per share paid during the year, total dividends of HK11.21 cents per share would have been repatriated for the entire year, representing a payout ratio of 52.9%.

Sustainable growth in the Hong Kong market

Riding on the Group's multi-branding strategy, we continued to satisfy the tastes of restaurant-goers in Hong Kong and remained as one of the preferred providers of fine Chinese cuisine. Revenue from the Hong Kong market reached approximately HK$1.8 billion, representing an increase of 16.0% as compared to 2006. To better cater for the needs of consumers, constant improvement in shop design remains a critical successful factor. During the year, we had successfully completed the re-branding and renovation program for our "Tao Heung" brand. This new design provides a more comfortable and hygiene dining experience, aims to add value to our customers and win customer loyalty, and is proven by the a higher than average same store sales growth of 3.23%. During the year under review, we also opened seven additional restaurants and kiosk, raising the total count in key locations across the territory to 47 as at 31 December 2007.

Promising opportunities in the Mainland China market

The tremendous potential of the Mainland China market has always been our long term imperatives of strategic value and we recognize the Group's continuous expansion into Mainland China market as being a key driver for our future business growth. After taking over the restaurant business in Mainland China from our controlling shareholders in January 2007, our restaurants have continued to win the tastes of local consumers. We have witnessed promising results after implementing a series of value-added business improvement initiatives in the areas of operational flow, procurement and product development as well as staff training. I am pleased to report that we achieved revenue and net profit for our Mainland China restaurant operations of approximately HK$287.8 million and HK$25.4 million, respectively. Building on our previous successful experience and a more refined business model together with the opening of the Dongguan Logistics Centre, we are now embarking on a more aggressive network development strategy in Southern China. During the year under review, we added two additional outlets to our portfolio of restaurants in Mainland China, raising the total count to seven as at 31 December 2007.

Outlook

To complement our expanding network of restaurants, which is set to grow even larger in the coming years, we successfully commenced operation of the Dongguan Logistics Centre during the year. The Dongguan Logistics Centre allows us to purchase goods in bulk and centralize the production and procurement processes which assures our operational efficiency and food quality, thus enhancing our supply chain management for our restaurant operations as well as for other catering businesses.

The opening of the Dongguan Logistics Centre reflects our ongoing commitment and efforts to develop the Group's operations, leveraging synergies among businesses and capitalizing on economies of scale. Consequently, we will continue to open more restaurants in Hong Kong and Mainland China in the near future, in particular in the Southern China region where rising consumption power promises enormous growth potential. In addition to our core business, the Group's involvement in other segments such as airline catering and chilled food trading can also benefit from the Dongguan Logistics Centre. We would be able to maximize the usage of the Dongguan Logistic Centre to meet market demand while exploring lucrative opportunities that come from enhanced capacity and efficiency. The management is confident that following the smooth running of the centre in 2008 and the expected enhancement of the overall utilization rate, the Dongguan Logistics Centre should bear fruits in the upcoming years.

Appreciation

On behalf of the Board, I would like to take this opportunity to extend my gratitude to the management and staff for their dedication and unwavering efforts over the year. I wish to also express my appreciation to our customers and business partners for their continuing support. As always, we will remain committed to furthering the success of the Group while seeking to generate greater returns for our stakeholders.

Chung Wai Ping
Chairman

Hong Kong, 10 April 2008

RESULTS

The Board is pleased to announce the consolidated results of the Group for the year ended 31 December 2007, together with the comparative figures for 2006 as follows:

	Notes	**2007** *HK$'000*	2006 *HK$'000*
REVENUE	5	**2,099,684**	1,574,381
Other income and gains	5	**59,440**	10,256
Cost of inventories consumed		**(713,512)**	(511,043)
Staff costs		**(581,580)**	(464,880)
Lease payments under operating leases in respect of land and buildings		**(138,606)**	(107,476)
Depreciation of property, plant and equipment		**(92,181)**	(55,197)
Recognition of prepaid land lease payments		**(1,092)**	(1,582)
Fair value gains/(losses) on investment properties		**2,700**	(300)
Other expenses		**(385,231)**	(261,926)
Finance costs	6	**(4,747)**	(5,458)
Share of profits and losses of associates		**50**	(2)
PROFIT BEFORE TAX	7	**244,925**	176,773
Tax	8	**(42,350)**	(31,034)
PROFIT FOR THE YEAR		**202,575**	145,739
Attributable to:			
Equity holders of the Company		**200,306**	138,839
Minority interests		**2,269**	6,900
		202,575	145,739
DIVIDENDS	9		
Interim		**33,000**	25,000
Special		**30,000**	—
Proposed final		**50,723**	—
		113,723	25,000
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
— Basic (HK cents)	10	**21.19**	15.85
— Diluted (HK cents)	10	**21.19**	N/A

The consolidated balance sheet as at 31 December 2007 is as follows:

	Notes	**2007** **HK$'000**	2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**408,552**	267,074
Prepaid land lease payments		**68,556**	72,813
Investment properties		**15,700**	13,000
Goodwill		**16,827**	3,718
Interests in associates		**5,071**	1,271
Deferred tax assets		**30,291**	22,572
Rental deposits		**44,683**	34,082
Deposits for purchases of property, plant and equipment		**15,497**	12,472
Pledged deposits		**15,290**	10,874
Financial assets at fair value through profit or loss		**32,871**	—
Total non-current assets		**653,338**	437,876
CURRENT ASSETS			
Inventories		**42,780**	22,969
Trade receivables	11	**14,222**	8,508
Prepayments, deposits and other receivables		**33,740**	30,672
Financial assets at fair value through profit or loss		**49,136**	15,545
Due from directors	12	**2,590**	—
Due from related companies		**—**	9,308
Pledged deposits		**16,237**	9,939
Cash and cash equivalents		**459,486**	137,912
		618,191	234,853
Assets classified as held for sale		**—**	26,250
Total current assets		**618,191**	261,103

	Notes	**2007**	2006
		HK$'000	*HK$'000*
CURRENT LIABILITIES			
Trade payables	13	**87,044**	53,429
Other payables and accruals		**159,600**	118,905
Interest-bearing bank borrowings		**22,825**	46,715
Finance lease payables		**368**	664
Due to related companies		**628**	21,443
Due to an associate		**—**	3,234
Due to a minority shareholder of subsidiaries		**2,258**	1,058
Tax payable		**17,354**	14,112
Total current liabilities		**290,077**	259,560
NET CURRENT ASSETS		**328,114**	1,543
TOTAL ASSETS LESS CURRENT LIABILITIES		**981,452**	439,419
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**48,368**	69,401
Finance lease payables		**178**	386
Due to a related party		**—**	3,866
Provision for long service payments		**—**	249
Deferred tax liabilities		**1,279**	847
Total non-current liabilities		**49,825**	74,749
Net assets		**931,627**	364,670
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	14	**101,446**	780
Reserves		**777,359**	363,120
Proposed final dividend		**50,723**	—
		929,528	363,900
Minority interests		**2,099**	770
Total equity		**931,627**	364,670

Notes:

1 BASIS OF PRESENTATION

As a result of a group reorganisation (the "Group Reorganisation"), which involved companies under common control, the Group is regarded and accounted for as a continuing group. Accordingly, the consolidated financial statements have been prepared in accordance with the principles of merger accounting as set out in Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") as if the Group Reorganisation had been completed as of 1 January 2006. On this basis, the Company has been treated as the holding company of its subsidiaries for the financial years presented rather than from the date of acquisition of the subsidiaries. Further details of the Group Reorganisation and the subsidiaries acquired pursuant thereso are set out in the prospectus of the Company dated 15 June 2007.

2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and certain financial assets at fair value through profit or loss, which have been measured at fair value. Assets held for sale are stated at the lower of their carrying amounts and fair values less costs to sell. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

3 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 7	*Financial Instruments: Disclosures*
HKAS 1 Amendment	*Capital Disclosures*
HK(IFRIC)-Int 8	*Scope of HKFRS 2*
HK(IFRIC)-Int 9	*Reassessment of Embedded Derivatives*
HK(IFRIC)-Int 10	*Interim Financial Reporting and Impairment*

Except for HKAS 1 Amendment and HKFRS 7 giving rise to additional disclosures, the adoption of HK(IFRIC)-Int 8, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 10 has had no material effect on the Group's financial statements for the year ended 31 December 2007.

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

HKFRS 2 Amendments	*Share-based Payment — Vesting Conditions and Cancellation*[1]
HKFRS 3	*Business Combinations*[5]
HKFRS 8	*Operating Segments*[1]
HKAS 1 (Revised)	*Presentation of Financial Statements*[1]
HKAS 23 (Revised)	*Borrowing Costs*[1]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*[5]
HK(IFRIC)-Int 11	*HKFRS 2 — Group and Treasury Share Transactions*[2]
HK(IFRIC)-Int 12	*Service Concession Arrangements*[4]
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*[3]
HK(IFRIC)-Int 14	*HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*[4]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 March 2007
[3] Effective for annual periods beginning on or after 1 July 2008
[4] Effective for annual periods beginning on or after 1 January 2008
[5] Effective for annual periods beginning on or after 1 July 2009

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by geographical segment; and (ii) on a secondary segment reporting basis, by business segment.

Segment information presented below is by way of the Group's primary segment reporting basis, by geographical segment. In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. The Group's customer-based geographical segments are Hong Kong and Mainland China.

Since over 90% of the Group's revenue and assets relate to the restaurant segment which engages in the provision of food catering services through a chain of restaurants, no further analysis on business segment is presented.

The following tables present revenue, profit certain asset, liability and expenditure information for the Group's geographical segments for the years ended 31 December 2007 and 2006.

	Year ended 31 December 2007		
	Hong Kong	Mainland China	Total
	HK$'000	*HK$'000*	*HK$'000*
Revenue from external customers	**1,808,275**	**291,409**	**2,099,684**
Segment results	**238,572**	**11,050**	**249,622**
Finance costs			**(4,747)**
Share of profits and losses of associates	**50**	**—**	**50**
Profit before tax			**244,925**
Tax			**(42,350)**
Profit for the year			**202,575**
Assets and liabilities			
Segment assets	**890,030**	**346,137**	**1,236,167**
Interests in associates	**5,071**	**—**	**5,071**
Other unallocated assets			**30,291**
Total assets			**1,271,529**

	Year ended 31 December 2007		
		Mainland	
	Hong Kong	**China**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Segment liabilities	**189,625**	**59,905**	**249,530**
Other unallocated liabilities			**90,372**
Total liabilities			**339,902**
Other segment information:			
Capital expenditure	**84,784**	**121,119**	**205,903**
Depreciation	**70,882**	**21,299**	**92,181**
Recognition of prepaid land lease payments	**889**	**203**	**1,092**
Fair value gains on investment properties	**2,700**	**—**	**2,700**
Write-off of items of property, plant and equipment	**1,025**	**4,635**	**5,660**
Provision against slow-moving inventories	**145**	**—**	**145**
Fair value gains on financial assets at fair value through profit or loss	**3,842**	**—**	**3,842**

	Year ended 31 December 2006		
		Mainland	
	Hong Kong	China	Total
	HK$'000	*HK$'000*	*HK$'000*
Revenue from external customers	1,559,079	15,302	1,574,381
Segment results	186,679	(4,446)	182,233
Finance costs			(5,458)
Share of losses of associates	(2)	—	(2)
Profit before tax			176,773
Tax			(31,034)
Profit for the year			145,739
Assets and liabilities			
Segment assets	540,520	134,616	675,136
Interests in associates	1,271	—	1,271
Other unallocated assets			22,572
Total assets			698,979

	Year ended 31 December 2006		
	Hong Kong	Mainland China	Total
	HK$'000	*HK$'000*	*HK$'000*
Segment liabilities	185,957	16,227	202,184
Other unallocated liabilities			132,125
Total liabilities			334,309
Other segment information:			
Capital expenditure	88,073	96,833	184,906
Depreciation	54,650	547	55,197
Recognition of prepaid land lease payments	1,006	576	1,582
Fair value losses on investment properties	(300)	—	(300)
Write-off of items of property, plant and equipment	438	—	438
Write-back of provision against slow-moving inventories	(109)	—	(109)
Fair value gains on financial assets at fair value through profit or loss	446	—	446

5. REVENUE, OTHER INCOME AND GAINS

Revenue (which is also the Group's turnover), other income and gains are analysed as follows:

	2007	2006
	HK$'000	*HK$'000*
Revenue		
Restaurant operations	**2,066,977**	1,560,132
Sale of food	**32,707**	14,249
	2,099,684	1,574,381

	2007	2006
	HK$'000	*HK$'000*
Other income and gains		
Bank interest income	**14,802**	4,734
Dividend income from unlisted investments	**435**	321
Gross rental income from investment properties	**1,252**	1,433
Interest income from an amount due from a shareholder	**—**	473
Sponsorship income	**2,686**	359
Excess over the cost of a business combination	**868**	—
Fair value gain on financial assets at fair value through profit or loss	**3,842**	446
Gain on disposal of investment properties	**—**	600
Gain on disposal of leasehold land and buildings	**32,030**	1,133
Gain on disposal of items of property, plant and equipment, net (other than buildings)	**300**	316
Others	**3,225**	441
	59,440	10,256

6. FINANCE COSTS

	2007	2006
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable		
— Within five years	**5,846**	2,844
— Beyond five years	**40**	3,063
Interest on finance leases	**69**	141
Total interest expense on financial liabilities not at fair value through profit or loss	**5,955**	6,048
Less: Interest capitalised	**(1,208)**	(590)
	4,747	5,458

7. PROFIT BEFORE TAX

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

	2007	2006
	HK$'000	*HK$'000*
Gross rental income from investment properties	**(1,252)**	(1,433)
Less: Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	**12**	94
Net rental income	**(1,240)**	(1,339)
Employee benefits expense (including directors' remuneration):		
Salaries and bonuses	**547,910**	444,133
Retirement benefits scheme contributions (defined contribution schemes)	**28,015**	20,747
Equity-settled share option expense	**5,655**	—
	581,580	464,880
Lease payments under operating leases in respect of land and buildings:		
Minimum lease payments	**131,864**	100,892
Contingent rents	**6,742**	6,584
	138,606	107,476
Auditors' remuneration	**3,031**	1,716
Foreign exchange differences, net	**(419)**	83
Write-off of items of property, plant and equipment	**5,660**	438
Provision/(write-back of provision) against slow-moving inventories	**145**	(109)

8. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) 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, based on existing legislation, interpretations and practices in respect thereof.

	2007	2006
	HK$'000	*HK$'000*
Group:		
Current — Hong Kong		
Charge for the year	**35,222**	30,861
(Over)/Underprovision in prior years	**(385)**	51
Current — Elsewhere	**9,868**	—
Deferred	**(2,355)**	122
Total tax charge for the year	**42,350**	31,034

9. DIVIDENDS

	2007	2006
	HK$'000	*HK$'000*
Interim — HK3.25 cents (2006: HK$2,778) per ordinary share	**33,000**	25,000*
Special — HK2.96 cents (2006: Nil) per ordinary share	**30,000**	—
	63,000	25,000
Proposed final — HK5.00 cents (2006: Nil) per ordinary share	**50,723**	—

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

* No dividend has been paid or declared by the Company since its date of incorporation and up to 31 December 2006. The amount represented dividend paid by Tensel Investment Limited, a subsidiary of the Company which was the holding company of all the other subsidiaries of the Group (other than Sky Cheer Group Limited), to its former shareholders.

10. EARNINGS PER SHARE

	2007	2006
	HK$'000	*HK$'000*
Profit for the year attributable to equity holders of the Company and earnings for the purposes of basic and diluted earnings per share	**200,306**	138,839

	Number of shares	*Number of shares*
Weighted average number of ordinary shares for the purposes of basic earnings per share and diluted earnings per share	**945,085,918**	876,000,000

Diluted earnings per share amounts equal to basic earnings per share amounts because the employee share options had an anti-dilutive effect on the basic earnings per share for the year and were accordingly ignored in the calculation of diluted earnings per share. A diluted earnings per share amount for the year ended 31 December 2006 had not been disclosed as no diluting events existed during that year.

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. Trade receivables are non-interest-bearing.

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

	2007	2006
	HK$'000	*HK$'000*
Neither past due nor impaired	**10,549**	8,218
Less than 1 month past due	**1,304**	283
1 to 3 months past due	**1,224**	—
Over 3 months past due	**1,145**	7
	14,222	8,508

12. AMOUNTS DUE FROM DIRECTORS

The amounts due from directors, disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance, are as follows:

Name	**31 December 2007**	**Maximum amount outstanding during the year**	**1 January 2007**
	HK$'000	*HK$'000*	*HK$'000*
Mr. Chung Wai Ping	1,295	1,475	—
Mr. Chung Ming Fat	1,295	1,295	—
	2,590		—

The amounts due from directors at the balance sheet date arose from indemnification undertaken by the directors in respect of any liabilities incurred by the PRC Group prior to the Group's acquisition thereof on 1 January 2007 pursuant to the PRC Agreement. The amounts were fully settled subsequent to the balance sheet date.

13. TRADE PAYABLES

An aged analysis of the trade payables as at the balance sheet date, based on the invoice date, is as follows:

	2007	2006
	HK$'000	*HK$'000*
Within 1 month	**78,812**	52,587
1 to 2 months	**2,092**	327
2 to 3 months	**675**	16
Over 3 months	**5,465**	499
	87,044	53,429

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

14. SHARE CAPITAL

	2007	2006
	HK$'000	*HK$'000*
Authorised:		
23,400,000,000 (2006: 300,000,000) ordinary shares of HK$0.10 each (2006: US$1.00 each)	**2,340,000**	2,340,000*
Issued and fully paid:		
1,014,460,000 (2006: 100,000) ordinary shares of HK$0.10 each (2006: US$1.00 each)	**101,446**	780*

* Amounts denominated in US$ have been translated into HK$ at US$1.00 : HK$7.80.

The following changes in the authorised and issued share capital of the Company took place during the period from 1 January 2006 to 31 December 2007:

	Notes	Number of ordinary shares	Nominal value of ordinary shares HK$'000
Authorised:			
At 1 January 2006, 31 December 2006 and 1 January 2007	(a)	300,000,000	2,340,000
Cancellation	(b)	(300,000,000)	(2,340,000)
Increase in authorised share capital	(b)	23,400,000,000	2,340,000
As at 31 December 2007		23,400,000,000	2,340,000
At 1 January 2006, 31 December 2006 and 1 January 2007	(a)	100,000	780
Cancellation of shares	(b)	(100,000)	(780)
Allotted, issued and fully paid	(b)	7,800,000	780
Shares issued for acquisition of Tensel Investment Limited	(c)	8,546,695	855
Capitalisation issue credited as fully paid conditional on the share premium account of the Company being credited as a result of the issue of the new shares to the public	(d)	859,653,305	—
New issue of shares	(e)	124,000,000	12,400
Capitalisation of the share premium account as set out above	(d)	—	85,965
Issue of over-allotment shares	(f)	14,460,000	1,446
At 31 December 2007		1,014,460,000	101,446

Notes:

(a) Upon incorporation of the Company, the authorised share capital was US$300,000,000 divided into 300,000,000 shares of US$1.00 each. 100,000 shares of US$1.00 each were allotted and issued on 29 December 2005.

(b) Pursuant to a shareholders' resolution passed on 21 March 2007, the authorised share capital of the Company was increased by HK$2,340,000,000 by the creation of 23,400,000,000 new shares of HK$0.10 each of which 7,800,000 new shares were allotted, issued and fully paid at par. The Company then cancelled all 100,000 issued shares of US$1.00 each at a price of US$1.00 each and cancelled the authorised share capital of 300,000,000 shares of US$1.00 each.

(c) Pursuant to a shareholders' resolution passed on 4 June 2007, the Company acquired 1,000,000 shares of HK$1.00 each in the entire share capital of Tensel Investment Limited in consideration of the Company by allotting and issuing an aggregate of 8,546,695 shares of HK$0.10 each of the Company, credited as fully paid at par to the then shareholders of Tensel.

(d) Pursuant to written resolutions of the shareholders passed on 9 June 2007, an aggregate of 859,653,305 shares of HK$0.10 each in the Company were allotted and issued, credited as fully paid at par, by way of capitalisation of the sum of HK$85,965,331 from the share premium account, to the then existing shareholders of the Company, whose names appeared in the register of the Company at the close of business on 11 June 2007, in proportion to their respective shareholdings, such allotment and capitalisation were conditional on the share premium account being credited as a result of the issue of new shares to the public in connection with the Company's international placing and initial public offer as detailed in note (e) below.

(e) In connection with the Company's international placing and initial public offer, 124,000,000 shares of HK$0.10 each were issued at a price of HK$3.18 per share for a total cash consideration, before listing expenses, of HK$394,320,000. Dealing in these shares on the Main Board of the Stock Exchange commenced on 29 June 2007.

(f) Pursuant to an over-allotment option, the Company is required to allot and issue up to an aggregate of 18,600,000 new shares (the "**Over–allotment Shares**"), representing 15% of the 124,000,000 shares initially offered under the share offer, to cover over-allocations in the international placing. On 17 July 2007, the over-allotment option had been partially exercised by UOB Asia (Hong Kong) Limited on behalf of the international placing underwriters. Accordingly, 14,460,000 Over-allotment Shares were issued to Billion Era International Limited, a company wholly-owned by Mr. Chung Wai Ping, on 19 July 2007.

15. SHARE OPTIONS

The Company has adopted a pre-IPO share option scheme (the "**Pre-IPO Share Option Scheme**") and a share option scheme (the "**Share Option Scheme**") on 9 June 2007 for the purpose of providing incentives and rewards to eligible participants who have contributed to the success of the Group.

Pursuant to the Pre-IPO Share Option Scheme, the Company has granted certain 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. Details of the Pre-IPO Share Option Scheme have been set forth in appendix VI to the Prospectus. 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.

15,190,000 options were granted on 9 June 2007 under the Pre-IPO Share Option Scheme and are exercisable at HK$1.59 per share. The holders of the said share options may exercise the share options during the period from 29 June 2009 to 28 June 2012, both days inclusive. During the year, 40,000 of the said share options had lapsed.

Pursuant to the Share Option Scheme, the Company may grant certain options to certain types of participants as defined in the Share Option Scheme (including directors and employees of the Group, etc.) to subscribe for ordinary shares in the Company subject to the terms and conditions stipulated under the Share Option Scheme. Details of the Share Option Scheme have been set forth in appendix VI to the Prospectus.

As at the date of this announcement, no options have been granted or agreed to be granted pursuant to the Share Option Scheme.

MANAGEMENT DISCUSSIONS AND ANALYSIS

The Board is pleased to announce the Group's annual results for the year ended 31 December 2007. The positive performance that has been achieved builds on the Group's successful listing on the Main Board of the Stock Exchange on 29 June 2007. The Group has prudently utilized the funds raised to further bolster its position in the Hong Kong and Mainland China markets, establishing a solid platform from which future expansion can be realized.

Financial Results

Continuing to capitalize on rising purchasing power and demand for quality cuisine, the Group's operations in Hong Kong and Mainland China achieved solid growth in 2007. Revenue of approximately HK$2.1 billion was recorded for the year under review, representing a year-on-year rise of 33.4%. The Group's profit attributable to equity holders rose by 44.3% to approximately HK$200.3 million due to same store sales growth as well as the opening of additional restaurants during the year. Excluding the gain on disposal of leasehold land and buildings of approximately HK$32.0 million, share issue expenses of approximately HK$6.3 million and equity-settled share option expenses of approximately HK$5.7 million charged to the income statement, profit generated from the Group's core businesses was approximately HK$180.3 million, representing an increase of 29.8% as compared to that of the previous year.

Gross profit margin dropped slightly to 66.0% (2006: 67.5%). Such decrease was mainly attributable to the increase in raw material costs and the inclusion of the Group's Mainland China business since 1 January 2007 which generated relatively lower gross profit margin of 59.6% as compared to 67.1% for the Group's Hong Kong operations. To combat the rise in food costs, the Group has continuously reviewed its recipes and changed its ingredient-mix where possible. Bulk purchases at logistics centers have also been made in an effort to minimize expenditures. Despite the continuous increase in pressure in human resources and rental market, the Group was able to control its rental and labour expenses at 6.6% and 27.7%, respectively, to revenue (2006: 6.8% and 29.5%) through operational flow enhancement and effective cost control policy. Both expenses ratios recorded a reduction as compared to 2006.

For the year under review, all of the Group's businesses achieved stable growth. Notably, the Group's Mainland China business was able to increase its contribution and accounted for 13.9% of the Group's total revenue. Apart from the Chinese restaurant business, the Group has continued to explore new business opportunities including the opening of its first Hong Kong-style café in Kwai Chung; the diversification into airlines catering; the acquisition of minority interests in the Tai Cheong Bakery chain; and the supply of chilled food to supermarket chains and convenience stores. The management believes that these business segments will grow healthily as demand continues to increase with the commencement of Dongguan Logistics Centre's operations in September 2007, enabling the Group to benefit from economies of scale and better cost savings.

Hong Kong Operations

The Group's operations in Hong Kong generated revenue of approximately HK$1.8 billion, representing a year-on-year increase of 16.0%. The rise in performance was partly due to the increase in same store sales growth of 2.4% as well as the addition of seven restaurants and kiosk in the territory, raising the total count to 47 as of 31 December 2007. Though gross profit margin dropped slightly from 67.9% to 67.1% as compared to last year, the management expects margin to improve once the Dongguan Logistics Centre becomes fully operational by the end of 2008, whereupon more food products will be produced centrally and provided to the Hong Kong restaurants. Profit attributable to equity holders, excluding the gain on disposal of leasehold land and buildings of approximately HK$32.0 million, share issue expenses of approximately HK$6.3 million and equity-settled share option expenses of approximately HK$5.7 million charged to the profit and loss account, amounted to approximately HK$176.1 million (2006: approximately HK$143.3 million), representing an increase of 22.9% as compared to last year. Moreover, there was improvement in the operation efficiency for the Group's Hong Kong restaurant operations as evident by the increase of the net profit margin from core business for the territory from 9.2% in 2006 to 9.7% in 2007.

Mainland China Restaurant Operations

As at 31 December 2006, the Group had one restaurant in Shenzhen. On 1 January 2007, the Group acquired 100% equity interests in the PRC Group, which owned two restaurants in Shenzhen and two restaurants in Guangzhou respectively. During the year under review, the Group opened two more restaurants (one in Guangzhou and one in Shenzhen). Accordingly, as at 31 December 2007, the Group had a total of seven restaurants in Mainland China.

Revenue for Mainland China restaurant operations amounted to approximately HK$287.8 million accounting for 13.7% of the Group's total revenue. Gross profit margin of 59.6% was achieved and the profit attributable to equity holders was approximately HK$25.2 million, representing a net profit margin of 8.7%,. With further expansion of the Group's network in the pipeline, and the ability to capitalize on the Dongguan Logistics Centre once it is fully operational, the management is confident in bolstering its Mainland China restaurant operations so that it becomes an even more significant business component for the Group.

Dongguan Logistics Centre

In addition to the existing food processing and logistics centre in Fo Tan, Shatin, Hong Kong, the Group commenced operation of the Dongguan Logistics Centre in September 2007, providing additional support in this essential area of activity. The opening of this new logistic centre comes at an opportune time as food costs have continued to escalate. The Donnguan Logistics Centre enables the Group to purchase goods in bulk, and directly from the source of origin, thereby helps reducing the effects of rising prices. Moreover, the ability to centralize processing and procurement allows the Group to enhance efficiency and ensure the highest quality of its food products. The Dongguan Logistic Centre has already started to supply different products including processed and semi-processed foods such as dim-sum, barbecued pork, roast duck, Chinese bums and Chinese desserts to restaurants in Mainland China. With the capacity to support up to 200 restaurants, the Dongguan Logistics Centre will also play a key role in supporting the Group's operations in Hong Kong. During the year under review, the Dongguan Logistics Centre incurred the pre-operating expenses of HK$13.1 million. In order to kick off its operation as the backbone of our restaurant operation, operating expenses of HK$7.7 million together with the depreciation expenses of HK$3.7 million had been charged to income statement. The management is confident that following the smooth running of the centre in 2008 and the expected enhancement of the overall utilization rate, the Dongguan Logistics Centre should enhance the efficiency of the Group's restaurant businesses both in Hong Kong and Mainland China through restaurants' margin improvement.

Peripheral Businesses

During the year under review, the Group's peripheral businesses recorded substantial growth but was still relatively insignificant in terms of the Group's total revenue. The airline catering segment successfully attracted one additional client, namely, Cathay Pacific Catering Services (HK) Limited, to the Group's portfolio. As for the Group's chilled food trading operations, the Group began to deliver products including meal boxes, Chinese buns, dim-sum, and Chinese desserts to 7-Eleven convenience stores in the Southern China region. Similarly, the Group supplied festive foods for the Chinese New Year, as well as chilled chickens to Park'N Shops as well as Jusco Stores in Hong Kong.

Financial Resources and Liquidity

The Group maintained a strong financial and liquidity position during the year under review. As at 31 December 2007, the Group's total assets increased by 81.9% to approximately HK$1,271.5 million (2006: approximately HK$699.0 million) while the total equity increased by 155.4% to approximately HK$931.6 million (2006: approximately HK$364.7 million).

As at 31 December 2007, the Group had cash and cash equivalents amounting to approximately HK$459.5 million. After deducting total interest-bearing bank borrowings of approximately HK$71.2 million, the Group had a net cash surplus position of approximately HK$388.3 million. In view of its cash-rich position, the Group continues to explore potential investment or business development opportunities to deploy its cash resources with an aim to enhance the Group's profitability and values to its shareholders.

As at 31 December 2007, the Group's total interest-bearing bank borrowings were reduced to approximately HK$71.2 million (2006: approximately HK$116.1 million) during the year under review. The gearing ratio (defined as the total of interest-bearing bank borrowings divided by the total shareholders' equity) was reduced to 7.7% (2006: 32.2%).

Capital Expenditure

Capital expenditure for the year ended 31 December 2007 amounted to approximately HK$205.9 million and the capital commitments as at 31 December 2007 amounted to approximately HK$5.0 million. Both the capital expenditure and capital commitments were mainly related to the renovation of the Group's new and existing restaurants and the construction works of the Dongguan Logistics Centre.

Material Acquisitions and Disposals

On 1 January 2007, the Group entered into a sale and purchase agreement with Messrs. Chung Wai Ping and Chung Ming Fat, being directors and shareholders of the Company, to acquire 100% equity interests in the PRC Group for a total cash consideration of HK$51.0 million. The PRC Group is principally engaged in the restaurant operations in Mainland China. The fair values of the net assets acquired were approximately HK$38.8 million, and a goodwill of approximately HK$13.1 million was capitalised as a result of the acquisition.

Save as disclosed above, there were no material acquisition or disposals of investments and subsidiaries during the year ended 31 December 2007.

Contingent Liabilities

As at 31 December 2007, the Group had contingent liabilities in respect of bank guarantees given in lieu of rental and utility deposits amounting to approximately HK$27.9 million (2006: approximately HK$19.3 million).

Foreign Exchange Risk Management

The Group's sales and purchases for the year ended 31 December 2007 were mostly denominated in Hong Kong Dollars and Renminbi.

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

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

Use of Proceeds

The proceeds from the initial public offer of the Company in Hong Kong in June 2007, after deduction of related issuance expenses, amounted to approximately HK$405.0 million. As at 31 December 2007, approximately of HK$81.1 million of the proceeds have been used and were applied in accordance with the proposed applications set forth in the Prospectus. The unutilised proceeds have been placed with licensed banks and financial institutions in Hong Kong as interest-bearing deposits.

Human Resources

As at 31 December 2007, the Group had 6,003 employees. In order to attract and retain the high quality staff and to enable smooth operation within the Group, the Group offers competitive remuneration packages (with reference to market conditions and individual qualifications and experience) and various in-house training courses. The remuneration packages are subject to review on a regular basis.

In addition, the Group also adopted the Pre-IPO Share Option Scheme and Share Option Scheme, where eligible employees are entitled to various share options to subscribe for the ordinary shares in the Company for their past and potential contribution to the growth of the Group. As at 31 December 2007, approximately 15,150,000 options were outstanding under the Pre-IPO Share Option Scheme and no such share options have been exercised yet. Also, as at 31 December 2007, no options have been granted or agreed to be granted pursuant to the Share Option Scheme.

Prospects

The management remains optimistic about the Group's prospects in both Hong Kong and Mainland China markets. With healthy economies and rising consumption power, particularly in Mainland China, there remains significant growth potential. To capture such growth, the Group will continue with its multi-branding strategy that tailors to the needs of different customer segments. In this connection, the Group intends to open six additional restaurants in each of the Hong Kong and Mainland China markets in 2008. Apart from Guangzhou and Shenzhen, the management will also explore and enter into other prime cities in the Guangdong province, such as Dongguan, Zhongshan and Zhuhai, to maintain the Group's growth momentum.

With the Dongguan Logistics Centre expected to be fully operational in 2008, this will further bolster the Group's expansion efforts while at the same time satisfy the needs of a growing restaurant network, both in Hong Kong and Mainland China. In addition, the Dongguan Logistics Centre will facilitate greater cost controls and enhance efficiency, thereby moderating raw material cost pressures.

In terms of the Group's peripheral businesses, the management will seek to augment its sales and catering operation, develop more distribution channels and align with new business partners to explore profitable business opportunities, such as the recently acquired "Tai Cheong" bakery chain (an egg-tart bakery chain). The bakery chain will be able to make use of the Dongguan Logistics Centre, as the facility will be able to mass produce this popular Chinese pastry and support the business' further expansion.

Overall, the Group will maintain its commitment to providing quality food and services for which customers have grown to trust. In addition to offering fine dining experiences, the management will endeavor to elevate the Group's position to become one of the most highly respected Chinese restaurant operators in Hong Kong and Mainland China. Upholding responsibility to shareholders, the Group will dedicate its efforts towards realizing long-term sustainable growth.

OTHER INFORMATION

Dividend

In acknowledging continuous support from the Group's shareholders, the Board recommends the payment of a final dividend of HK5.00 cents per ordinary share in respect of the year ended 31 December 2007, subject to approval by shareholders at the forthcoming annual general meeting of the Company. The dividend will be payable on 29 May 2008 to shareholders whose names appear on the Register of Member of the Company on 21 May 2008.

Closure of Register of Members

The register of members of the Company will be closed from Monday, 19 May 2008 to Wednesday, 21 May 2008, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the 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 16 May 2008.

Corporate Governance

During the year ended 31 December 2007, the Company has compiled with all the code provisions of the Code on Corporate Governance Practices as set forth in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

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 issue of the Group. Currently, Mr. Mak Hing Keung, Thomas, Mr. Li Tze Leung and Professor Chan Chi Fai, Andrew, all being independent non-executive Directors, are members of the audit committee with Mr. Mak Hing Keung, Thomas, being the chairman.

The audit committee has reviewed the accounting principles and practices adopted by the Group and has also reviewed auditing, internal control and financial reporting matters, including the review of the annual results for the year ended 31 December 2007, together with the management and external auditors.

Nomination Committee

The Company established the nomination 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 nomination committee is mainly responsible for making recommendations to the

Board on the appointment of Directors and the management of the Board succession. The nomination committee has three members comprising Professor Chan Chi Fai, Andrew, Mr. Ng Yat Cheung and Mr. Chan Yue Kwong, Michael, two of whom are independent non-executive Directors. The chairman of the nomination committee is Professor Chan Chi Fai, Andrew.

Remuneration Committee

The Company established the remuneration 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 remuneration committee include reviewing the terms of remuneration packages, determining the award of bonuses and considering the grant of options under the Share Option Schemes. The remuneration committee has three members comprising Mr. Li Tze Leung, Mr. Fong Siu Kwong and Mr. Mak Hing Keung, Thomas, two of whom are independent non-executive Directors. The chairman of the remuneration committee is Mr. Li Tze Leung.

Model Code of Securities Transactions by Directors

The Company has adopted the model code as set forth in Appendix 10 to the Listing Rules as its own code of conduct for dealings in securities of the Company by the Directors (the "**Code**"). The Company, having made specific enquiry of all Directors, confirms that its Directors had compiled with the required standard set forth in the Code throughout the year ended 31 December 2007.

Purchase, Sale or Redemption of Listed Securities

During the year ended 31 December 2007, neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company's listed securities.

Annual General Meeting

The 2007 annual general meeting of the Company will be held on 21 May 2008. Notice of the 2007 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.hkex.com.hk) and the website of the Company (*www.taoheung.com.hk*).

By order of the Board
Chung Wai Ping
Chairman

Hong Kong, 10 April 2008

As at the date of this announcement, the Board comprised 12 directors, of which six are executive directors, namely Mr. Chung Wai Ping, Mr. Wong Ka Wing, Mr. Chung Ming Fat, Mr. Leung Yiu Chun, Ms. Wong Fun Ching and Mr. Ho Yuen Wah; two are non-executive directors, namely Mr. Fong Siu Kwong and Mr. Chan Yue Kwong, Michael and four are independent non-executive directors namely Mr. Li Tze Leung, Professor Chan Chi Fai, Andrew, Mr. Mak Hing Keung, Thomas and Mr. Ng Yat Cheung.

* *For identification purpose only*