稻香集團

Tao Heung
HOLDINGS LIMITED
稻香控股有限公司*

(Incorporated in the Cayman Islands with Limited Liability)

Stock Code : 573

INTERIM REPORT 2013

* For identification purposes only

Contents

Corporate Information

Board of Directors

Executive Directors

Mr. Chung Wai Ping *(Chairman)*
Mr. Wong Ka Wing
Mr. Chung Ming Fat
Mr. Leung Yiu Chun *(Chief Executive Officer)*
Ms. Wong Fun Ching
Mr. Ho Yuen Wah

Non-executive Directors

Mr. Fong Siu Kwong
Mr. Chan Yue Kwong, Michael

Independent non-executive Directors

Mr. Li Tze Leung
Professor Chan Chi Fai, Andrew
Mr. Mak Hing Keung, Thomas
Mr. Ng Yat Cheung

Company Secretary

Mr. Leung Yiu Chun *FCCA, FCPA*

Authorised Representatives

Mr. Leung Yiu Chun
Mr. Ho Yuen Wah

Members of Audit Committee

Mr. Mak Hing Keung, Thomas *(Chairman)*
Mr. Li Tze Leung
Professor Chan Chi Fai, Andrew
Mr. Chan Yue Kwong, Michael

Members of Nomination Committee

Professor Chan Chi Fai, Andrew *(Chairman)*
Mr. Ng Yat Cheung
Mr. Chan Yue Kwong, Michael

Members of Remuneration Committee

Mr. Li Tze Leung *(Chairman)*
Mr. Fong Siu Kwong
Mr. Mak Hing Keung, Thomas

Registered Office

Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman
KY1-1111, Cayman Islands

Principal Place of Business in Hong Kong

No. 18 Dai Fat Street, Tai Po Industrial Estate,
Tai Po, New Territories, Hong Kong

Principal Share Registrar

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House,
24 Shedden Road, George Town
Grand Cayman KY1-1110,
Cayman Islands

Hong Kong Branch Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712–16, 17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Principal Bankers

Bank of China (Hong Kong) Limited
Bank of East Asia Limited
BNP Paribas Hong Kong Branch
Dah Sing Bank Limited
DBS Bank (Hong Kong) Limited
Deutsche Bank AG, Hong Kong Branch
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited

Principal Auditors

Ernst & Young

Stock Code

573

Website

www.taoheung.com.hk

Financial Highlights

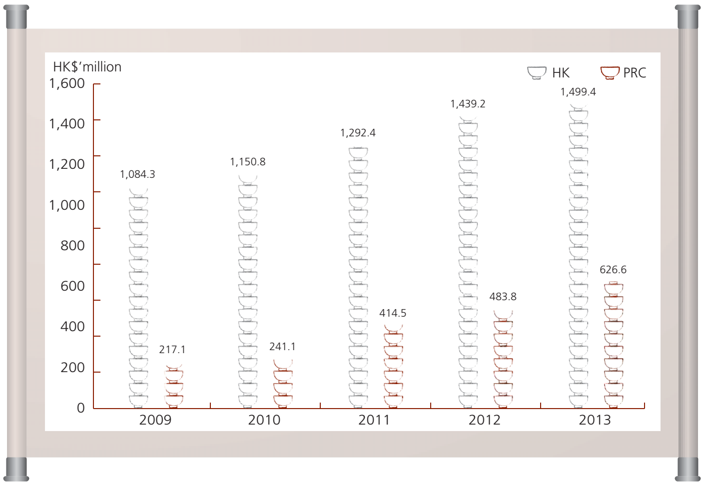
Key Financial Ratios	Notes	Six months ended 30 June 2013 (Unaudited) HK$'000	2012 (Unaudited) HK$'000	% Change Increase/ (Decrease)
Performance				
Revenue		**2,126,009**	1,923,019	10.6%
EBITDA		**304,673**	285,913	6.6%
Profit attributable to owners of the parent		**138,978**	138,835	0.1%
Gross profit margin		**14.3%**	15.9%	(10.1%)
Net profit margin	*1*	**6.5%**	7.2%	(9.7%)
		HK cents	HK cents	
Per Share Data				
Earnings per share				
– Basic		**13.60**	13.62	(0.1%)
– Dilutive		**13.56**	13.59	(0.2%)
Interim dividend per share		**6.20**	6.20	–

	Notes	30 June 2013 (Unaudited) HK$'000	31 December 2012 (Audited) HK$'000	% Change Increase/ (Decrease)
Total assets		**2,401,434**	2,319,447	3.5%
Net assets		**1,667,927**	1,577,115	5.8%
Cash and cash equivalents		**309,057**	421,144	(26.6%)
Net cash	*2*	**126,296**	346,659	(63.6%)
Liquidity and Gearing				
Current ratio	*3*	**1.0**	1.0	–
Quick ratio	*4*	**0.8**	0.8	–
Gearing ratio	*5*	**11.2%**	4.8%	133.3%
		HK cents	HK cents	
Per Share Data				
Net assets per share	*6*	**163.26**	154.38	5.8%
Net cash per share	*7*	**12.36**	33.93	(63.6%)

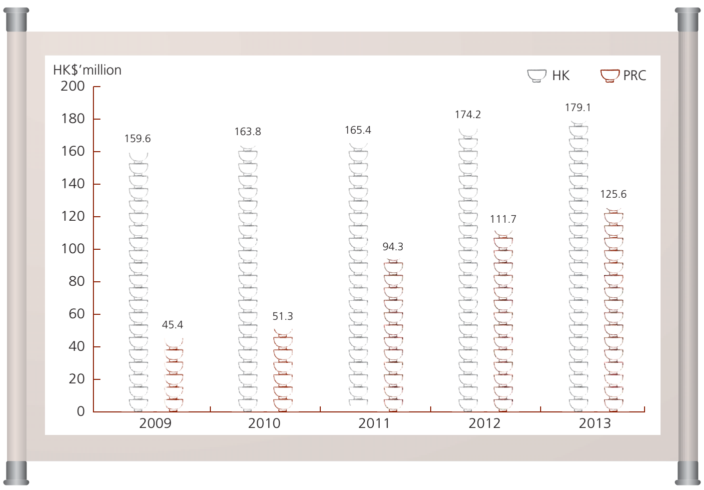
Notes:

1. Net profit margin is calculated as net profit attributable to owners of the parent divided by revenue.
2. Net cash is cash and cash equivalents less interest-bearing bank borrowings.
3. Current ratio is calculated as current assets divided by current liabilities.
4. Quick ratio is calculated as current assets less inventories divided by current liabilities.
5. Gearing ratio is calculated as total debt (interest-bearing bank borrowings and finance lease payables) divided by total equity attributable to owners of the parent.
6. Net assets per share is calculated based on the number of 1,021,611,000 shares (31 December 2012: 1,021,611,000 shares).
7. Net cash per share is calculated based on the number of 1,021,611,000 shares (31 December 2012: 1,021,611,000 shares).

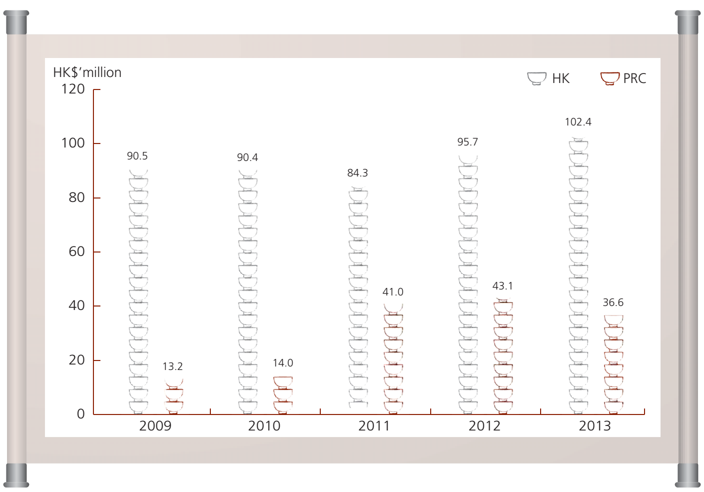
Turnover for the six months ended 30 June



EBITDA for the six months ended 30 June



Profit attributable to owners of the parent for the six months ended 30 June



Condensed Consolidated Income Statement

For the six months ended 30 June 2013

Interim Results (Unaudited)

The board of directors (the "Board") of Tao Heung Holdings Limited (the "Company"), together with its subsidiaries (collectively the "Group"), hereby announces the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2013 together with comparative figures for the corresponding period in 2012. These interim condensed consolidated financial statements for the six months ended 30 June 2013 have not been audited, but have been reviewed by the Audit Committee of the Company.

		Six months ended 30 June	
		2013	2012
	Notes	**(Unaudited)**	(Unaudited)
		HK$'000	HK$'000
REVENUE	*5*	**2,126,009**	1,923,019
Cost of sales		**(1,821,440)**	(1,618,086)
Gross profit		**304,569**	304,933
Other income and gains	*5*	**10,413**	11,078
Selling and distribution expenses		**(42,872)**	(39,346)
Administrative expenses		**(101,450)**	(102,281)
Finance costs	*6*	**(1,452)**	(77)
PROFIT BEFORE TAX	*7*	**169,208**	174,307
Income tax expense	*8*	**(29,932)**	(33,418)
PROFIT FOR THE PERIOD		**139,276**	140,889
Attributable to:			
Owners of the parent		**138,978**	138,835
Non-controlling interests		**298**	2,054
		139,276	140,889
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic	*10*	**HK13.60 cents**	HK13.62 cents
– Diluted	*10*	**HK13.56 cents**	HK13.59 cents

Details of the dividend payable and proposed for the period are disclosed in note 9 to this report.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
PROFIT FOR THE PERIOD	**139,276**	140,889
Other comprehensive income/(loss) for the period		
Exchange differences on translation of foreign operations	**14,849**	(1,055)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**154,125**	139,834
Attributable to:		
Owners of the parent	**153,303**	137,757
Non-controlling interests	**822**	2,077
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**154,125**	139,834

Condensed Consolidated Statement of Financial Position

As at 30 June 2013

	Notes	30 June 2013 (Unaudited) HK$'000	31 December 2012 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*11*	**1,328,732**	1,277,595
Prepaid land lease payments		**63,723**	63,330
Investment properties	*11*	**12,390**	12,390
Goodwill	*12*	**38,913**	38,569
Investments in associates		**1,251**	8,587
Biological assets		**2,313**	2,087
Deferred tax assets		**69,597**	66,621
Rental deposits		**107,332**	101,043
Deposits for purchases of property, plant and equipment		**139,852**	16,756
Total non-current assets		**1,764,103**	1,586,978
CURRENT ASSETS			
Inventories		**147,062**	173,459
Biological assets		**18,713**	18,305
Trade receivables	*13*	**34,230**	27,323
Prepayments, deposits and other receivables		**112,607**	79,190
Tax recoverable		**2,791**	996
Pledged deposits		**12,871**	12,052
Cash and cash equivalents		**309,057**	421,144
Total current assets		**637,331**	732,469
CURRENT LIABILITIES			
Trade payables	*14*	**140,311**	244,471
Other payables and accruals		**327,353**	355,999
Interest-bearing bank borrowings		**104,428**	74,485
Finance lease payables		**318**	313
Due to non-controlling shareholders of subsidiaries		**11,507**	–
Tax payable		**45,801**	41,769
Total current liabilities		**629,718**	717,037
NET CURRENT ASSETS		**7,613**	15,432
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,771,716**	1,602,410

	Notes	**30 June 2013 (Unaudited) HK$'000**	31 December 2012 (Audited) HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**78,333**	–
Finance lease payables		**420**	474
Due to non-controlling shareholders of subsidiaries		**11,806**	11,623
Deferred tax liabilities		**13,230**	13,198
Total non-current liabilities		**103,789**	25,295
Net assets		**1,667,927**	1,577,115
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**102,161**	102,161
Reserves		**1,476,416**	1,386,453
Proposed dividend	9	**63,340**	69,470
		1,641,917	1,558,084
Non-controlling interests		**26,010**	19,031
Total equity		**1,667,927**	1,577,115

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013

		Attributable to owners of the parent											
	Note	Issued capital (Unaudited) HK$'000	Share premium (Unaudited) HK$'000	Capital reserve (Unaudited) HK$'000	Other reserve (Unaudited) HK$'000	Share option reserve (Unaudited) HK$'000	Capital redemption reserve (Unaudited) HK$'000	Exchange fluctuation reserve (Unaudited) HK$'000	Retained profits (Unaudited) HK$'000	Proposed dividends (Unaudited) HK$'000	Total (Unaudited) HK$'000	Non-controlling interests (Unaudited) HK$'000	Total equity (Unaudited) HK$'000
At 1 January 2012		101,729	320,471	110,748	19,778	17,720	9	59,202	681,705	67,141	1,378,503	17,229	1,395,732
Profit for the period		–	–	–	–	–	–	–	138,835	–	138,835	2,054	140,889
Other comprehensive income for the period													
Exchange difference on translation of foreign operations		–	–	–	–	–	–	(1,078)	–	–	(1,078)	23	(1,055)
Total comprehensive income for the period		–	–	–	–	–	–	(1,078)	138,835	–	137,757	2,077	139,834
Issue of shares		432	14,749	–	–	(8,315)	–	–	–	–	6,866	–	6,866
Dividend paid to a non-controlling shareholder of subsidiary		–	–	–	–	–	–	–	–	–	–	(1,720)	(1,720)
Final 2011 dividend		–	–	–	–	–	–	–	(285)	(67,141)	(67,426)	–	(67,426)
Proposed interim 2012 dividend	9	–	–	–	–	–	–	–	(63,340)	63,340	–	–	–
At 30 June 2012		102,161	335,220	110,748	19,778	9,405	9	58,124	756,915	63,340	1,455,700	17,586	1,473,286
At 1 January 2013		102,161	335,220	110,748	11,056	8,730	9	72,206	848,484	69,470	1,558,084	19,031	1,577,115
Profit for the period		–	–	–	–	–	–	–	138,978	–	138,978	298	139,276
Other comprehensive income for the period													
Exchange difference on translation of foreign operations		–	–	–	–	–	–	14,325	–	–	14,325	524	14,849
Total comprehensive income for the period		–	–	–	–	–	–	14,325	138,978	–	153,303	822	154,125
Acquisition of subsidiary		–	–	–	–	–	–	–	–	–	–	7,350	7,350
Acquisition of non-controlling interests		–	–	–	–	–	–	–	–	–	–	(52)	(52)
Dividend paid to a non-controlling shareholder of subsidiary		–	–	–	–	–	–	–	–	–	–	(1,141)	(1,141)
Final 2012 dividend		–	–	–	–	–	–	–	–	(69,470)	(69,470)	–	(69,470)
Proposed interim 2013 dividend	9	–	–	–	–	–	–	–	(63,340)	63,340	–	–	–
At 30 June 2013		102,161	335,220*	110,748*	11,056*	8,730*	9*	86,531*	924,122*	63,340	1,641,917	26,010	1,667,927

* These reserve accounts comprise the consolidated reserves of HK$1,476,416,000 (31 December 2012: HK$1,386,453,000) in the condensed consolidated statement of financial position.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Net cash flows from operating activities	**113,657**	205,231
Net cash flows used in investing activities	**(258,995)**	(183,107)
Net cash flows from/(used in) financing activities	**28,897**	(51,728)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(116,441)**	(29,604)
Cash and cash equivalents at beginning of period	**421,144**	311,445
Effect of foreign exchange rate change, net	**4,354**	36
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**309,057**	281,877
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**309,057**	281,877

1. CORPORATE INFORMATION

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

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

– restaurant operations and provision of food catering services

– bakery operations

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

– provision of poultry farm operations

2. BASIS OF PRESENTATION AND PREPARATION

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2013 (the "Interim Financial Statements") have been prepared in accordance with the Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The unaudited Interim Financial Statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2012.

3. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the Interim Financial Statements are consistent with those used in the financial statements of the Group for the year ended 31 December 2012, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which are effective for the Group's accounting period beginning on or after 1 January 2013.

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

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

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

HKFRS 9	*Financial Instruments*[2]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*[1]
HKAS 32 Amendments	Amendment to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[1]
HKAS 36 Amendments	*Impairment of Assets*[1]
HK(IFRIC)-Int 21	*Levies*[1]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 January 2015

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

4. OPERATING SEGMENT INFORMATION

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

Geographical information

The following tables present revenue from external customers for the six months ended 30 June 2013 and 2012 and certain non-current asset information as at 30 June 2013 and 31 December 2012, by geographic area.

(a) Revenue from external customers

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Hong Kong	**1,499,358**	1,439,220
Mainland China	**626,651**	483,799
	2,126,009	1,923,019

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

(b) Non-current assets

	30 June	31 December
	2013	2012
	(Unaudited)	(Audited)
	HK$'000	HK$'000
Hong Kong	**607,266**	599,228
Mainland China	**979,908**	820,086
	1,587,174	1,419,314

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

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents gross revenue from restaurant, bakery and poultry farm revenue and net of relevant taxes and allowances for trade discounts.

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

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
REVENUE		
Restaurant and bakery operations	**2,005,005**	1,822,970
Sale of food	**121,004**	100,049
	2,126,009	1,923,019
OTHER INCOME AND GAINS		
Bank interest income	**783**	466
Gross rental income from investment properties	**233**	246
Gross rental income from sublease of poultry market	**4,122**	4,740
Sponsorship income	**1,879**	3,015
Gain on disposal of items of property, plant and equipment, net	**60**	148
Others	**3,336**	2,463
	10,413	11,078

6. FINANCE COSTS

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest on bank loans wholly repayable		
– Within five years	**1,438**	60
– Beyond five years	**6**	7
Interest on finance leases	**8**	10
Total interest expense on financial liabilities not at fair value through profit or loss	**1,452**	77

7. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Cost of inventories sold	**719,004**	641,796
Depreciation	**133,413**	111,127
Amortisation of land lease payments	**600**	402
Gross and net rental income from investment properties	**(233)**	(246)
Employee benefit expense (including directors' remuneration):		
Salaries and bonuses	**538,453**	494,396
Retirement benefit scheme contributions (defined contribution schemes)	**32,045**	28,966
	570,498	523,362
Lease payments under operating leases in respect of land and buildings:		
Minimum lease payments	**158,870**	133,669
Contingent rents	**7,688**	7,065
	166,558	140,734
Foreign exchange differences, net	**298**	774
Gain on disposal of items of property, plant and equipment, net	**(60)**	(148)
Write-off of items of property, plant and equipment	**374**	270

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits arising in Hong Kong for the six months ended 30 June 2013. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Current – Hong Kong		
Charge for the period	**18,687**	18,527
Current – Elsewhere	**14,030**	12,973
Deferred	**(2,785)**	1,918
Total tax charge for the period	**29,932**	33,418

9. DIVIDEND

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Nil (Additional 2011 final – HK6.60 cents)	**–**	285
Proposed interim – HK6.20 cents (2012: HK6.20 cents) per ordinary share	**63,340**	63,340
	63,340	63,625

The proposed dividend for the period under review has been approved at the Company's board meeting held on 22 August 2013.

10. EARNINGS PER SHARE

The calculation of the basic earnings per share amount is based on the unaudited consolidated profit for the six months ended 30 June 2013 attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,021,611,000 (Period ended 30 June 2012: 1,019,143,253) in issue during the period under review.

The calculation of the diluted earnings per share amount is based on the unaudited consolidated profit for the six month ended 30 June 2013 attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of the Pre-IPO Share Option Scheme.

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

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**138,978**	138,835

10. EARNINGS PER SHARE (Continued)

	Number of shares	
	2013	2012
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**1,021,611,000**	1,019,143,253
Effect of dilution – weighted average number of ordinary shares:		
Share options	**3,067,361**	2,772,988
	1,024,678,361	1,021,916,241

11. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the six months ended 30 June 2013, additions of property, plant and equipment and investment properties amounted to HK$137,682,000 in aggregate (2012: HK$250,340,000).

As at 30 June 2013, leasehold land and buildings with net book value of approximately HK$40,562,000 (31 December 2012: HK$20,006,000) were pledged to secure banking facilities granted to the Group.

As at 30 June 2013, the Group's investment properties with a total carrying amount of HK$10,590,000 (31 December 2012: HK$10,590,000) were pledged to secure banking facilities granted to the Group.

12. GOODWILL

	30 June 2013 (Unaudited) HK$'000	31 December 2012 (Audited) HK$'000
Carrying amount at beginning of the period/year	**38,569**	38,239
Acquisition of subsidiaries *(note 19)*	**83**	–
Exchange realignment	**261**	330
Carrying amount at end of the period/year	**38,913**	38,569

13. 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 end of the reporting period, based on the payment due date and that are not considered to be impaired, is as follows:

	30 June 2013 (Unaudited) HK$'000	31 December 2012 (Audited) HK$'000
Neither past due nor impaired	**22,204**	12,580
Less than 1 month past due	**4,402**	6,285
1 to 3 months past due	**3,635**	5,117
Over 3 months past due	**3,989**	3,341
	34,230	27,323

14. TRADE PAYABLES

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

	30 June 2013 (Unaudited) HK$'000	31 December 2012 (Audited) HK$'000
Within 1 month	**121,033**	195,266
1 to 2 months	**8,238**	28,828
2 to 3 months	**1,395**	7,030
Over 3 months	**9,645**	13,347
	140,311	244,471

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

15. CONTINGENT LIABILITIES

	30 June 2013 (Unaudited) HK$'000	31 December 2012 (Audited) HK$'000
Bank guarantees given in lieu of utility and property rental deposits	**27,686**	28,039

16. OPERATING LEASE ARRANGEMENTS

(i) As lessor

The Group leases its investment properties to third parties under operating lease arrangements with lease negotiated for terms ranging from two to three years.

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

	30 June 2013 (Unaudited) HK$'000	31 December 2012 (Audited) HK$'000
Within one year	**6**	6

(ii) As lessee

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

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

	30 June 2013 (Unaudited) HK$'000	31 December 2012 (Audited) HK$'000
Within one year	**295,594**	227,589
In the second to fifth years, inclusive	**607,285**	458,835
Beyond five years	**305,096**	270,563
	1,207,975	956,987

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

17. COMMITMENTS

In addition to the operating lease commitments detailed in note 16(ii) above, the Group had the following capital commitments as at the end of the reporting period:

	30 June 2013 (Unaudited) HK$'000	31 December 2012 (Audited) HK$'000
Contracted but not provided for:		
Property, plant and equipment	**33,875**	12,485
Building	**74,187**	74,993
	108,062	87,478

18. CONNECTED AND RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with connected and related parties during the period:

(a) Transactions with connected and related parties

Particulars of significant transactions between the Group and connected and related parties are summarised as follows:

		Six months ended 30 June	
	Note	**2013 (Unaudited) HK$'000**	2012 (Unaudited) HK$'000
Rental expense to a related party	*(i)*	**24**	24

Note:

(i) The rental expense to a related party, Madam Chan Sai Ying, who is the spouse of Mr. Chung Wai Ping, was charged based on mutually agreed terms at a monthly fixed amount of HK$4,000 (2012: HK$4,000).

The connected and related party transactions as disclosed above also constitute continuing connected transaction as defined in Chapter 14A of the Listing Rules.

18. CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

(b) Key management compensation

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Short term employee benefits	**2,795**	2,486
Post-employment benefits	**43**	36
	2,838	2,522

19. BUSINESS COMBINATIONS

On 1 January 2013, the Group entered into an agreement with Baker Limited and its subsidiaries (together, the "Baker Group") to acquire an additional 20% equity interest of the Baker Group at a total consideration of HK$2,000 (the "Acquisition") and the Acquisition was completed on the same date. In the opinion of the directors, the Acquisition enables the Group to expand the bakery operation into Mainland China. Upon completion, the Baker Group became a 60% owned subsidiary of the Group and its results are consolidated into the Group thereafter.

The carrying amounts of the identifiable assets and liabilities of the Baker Group as at the date of the Acquisition immediately before the Acquisition were as follows:

	HK$'000 (unaudited)
Property, plant and equipment	19,099
Inventories	1,055
Trade receivables	232
Prepayments, deposits and other receivables	2,286
Cash and bank balances	10,082
Trade payables	(2,150)
Other payables and accruals	(3,963)
Interest-bearing bank borrowings	(4,236)
Tax payable	(125)
Amount due to shareholders	(22,409)
Non-controlling interests	52
Total identifiable net liabilities at fair values	(77)
Investments in associates	(4)
Goodwill on acquisition *(note 12)*	83
Satisfied by cash	2

19. BUSINESS COMBINATIONS (Continued)

An analysis of the net inflow of cash and cash equivalents in respect of the Acquisition is as follows:

	HK$'000 (unaudited)
Cash consideration	(2)
Cash and bank balances acquired	10,082
Net inflow of cash and cash equivalent included in cash flows from investing activities	10,080

The fair values of the acquired identifiable assets and liabilities including property, plant and equipment of HK$19,099,000 and other intangible asset are pending finalisation of valuation of these assets and liabilities.

Since the Acquisition, the Baker Group contributed HK$9,829,000 to the Group's revenue and HK$3,986,000 to the consolidated loss for the period ended 30 June 2013.

20. FAIR VALUE AND FAIR VALUE HIERARCHY

At the end of the reporting period, the carrying amounts of the Group's and Company's financial assets and financial liabilities approximated to their fair values.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of trade receivables, financial assets included in prepayments, deposits and other receivables, current portion of pledged deposits, restricted cash, cash and cash equivalents, trade payables, financial liabilities included in other payables and accruals, interest-bearing bank borrowings, current portion of finance lease payables and an amount due to non-controlling shareholders of subsidiaries approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of rental deposits, loan to an associate, non-current portion of finance lease payables and amounts due to non-controlling shareholders of subsidiaries have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities.

21. EVENT AFTER THE REPORTING PERIOD

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

Management Discussion and Analysis

Business Review

The Board wishes to announce the Group's unaudited interim results for the six months ended 30 June 2013. During the reporting period, the Group was confronted by operating conditions that were among the most challenging since its listing back in 2007, with economic instability in Hong Kong and Mainland China leading to the erosion of consumer confidence. Moreover, the Mainland Chinese Government's austerity campaign, which has been in effect since the second half of 2012, continued to weaken interest in fine dining, creating a knock-on effect within the entire catering industry.

Since the Group mainly targets the general public in Hong Kong and middle-class consumers in Mainland China, the impact of the aforementioned austerity campaign was limited, and Tao Heung was able to realise a modest rise in revenue. However, customer traffic in both markets was inevitably affected. Helping to counter the modest decline in patrons was an expanded network of restaurants and the introduction of several promotions that were effective at stimulating customer spending.

To protect the profitability of the Group, the management also continued to adopt relevant automation processes and sought to rationalise workflow at its logistics centres, poultry farm and restaurants. This was despite food, labour and other operating expenses having stabilised during the reporting period.

Financial results

The Group's revenue increased by 10.6% year-on-year to approximately HK$2,126.0 million, driven by effective promotions and the opening of four new restaurants offsetting the closure of two restaurants in Hong Kong and two new restaurants in Mainland China during the past six months. EBITDA rose by 6.6% to HK$304.7 million, up from HK$285.9 million for the same period last year. Profit attributable to owners of the parent maintained at HK$139.0 million (2012: HK$138.8 million), despite significant depreciation incurred as a result of the Group's substantial long-term investment in new restaurants in Mainland China.

The Board has proposed an interim dividend of HK6.2 cents per share for the six months ended 30 June 2013, which is equivalent to a dividend payout ratio of 45.6%.

Hong Kong operations

Though the business environment in Hong Kong has become increasingly testing, and was further aggravated by the negative media exposure on the Group in April 2013, the local operations continued to realise revenue growth, which rose by 4.2% to HK$1,499.4 million – accounting for 70.5% of total revenue. The modest increase can be attributed to the Group's on-going practice of network expansion complemented by attractive promotions. During the review period, the Group opened four new establishments, including Chung's Kitchen (鍾廚), a new brand and restaurant located in Times Square, Causeway Bay that is targeted towards more affluent customers. Consequently, a total of 77 restaurants are in operation as of 30 June 2013.

Helping to attract customers to all of these locations were effective marketing promotions, including the immensely popular "$1 Chicken" and "Double Happiness" (筷樂孖寶) campaigns. Such promotions were able to limit the decline in customer traffic amidst the difficult operating environment. Profit attributable to owners of the parent was reported at HK$102.4 million, representing a slight rise when compared to the last corresponding period, and despite continuous increase in rental and staff costs.

Subsequent to the media exposure in April 2013, quick remedial action was taken by the management, which included a thorough review of relevant logistic practices and the speed up of food safety management certification for several production lines. In the latter case, this included earning ISO 22000 certification, apart from Hazard Analysis and Critical Control Point (HACCP) System accredited last year, for its moon cake production facility. The management has also sought ISO 22000 certification for the entire Tai Po Logistics Centre, electing to quicken the pace of accreditation to within the first half of 2014. What is more, an independent consultant was commissioned to examine the workflow of external subcontractors responsible for cross-border logistics. The recommendations made by the consultant will be carefully reviewed and adopted in a timely manner.

In respect of the Tai Cheong Bakery operation, the business achieved satisfactory results, with revenue reaching HK$43.8 million as at the reporting period. To encourage further growth, the Group opened three new outlets during the past six months, thus raising the total number of outlets to 23. One to two additional stores will be opened in the second half of this year.

Mainland China operations

Gross domestic production ("GDP") has continued to taper down since the end of 2012, prompting the Government to officially set China's target at 7.5% for the full year – the slowest pace in 23 years. The economic slowdown, compounded by austerity measures implemented by the central government, severely affected the catering industry, specifically the high-end segment. According to the survey conducted by China Cuisine Association, per capita consumption fell by between 15% and 39% at upscale restaurants during the second quarter of 2013, with revenue declining by 22.6%. While the Group was not impervious to the setback that affected the industry, it was still able to record respectable growth owing to its focus on middle-class restaurant goers and effective network expansion strategy, the latter has resulted in the operation of 27 restaurants as at the reporting period.

As at mid-year, the Mainland China operations reported revenue of HK$616.8 million, representing a 27.5% rise over the corresponding period of last year, and accounting for 29.0% of the Group's total revenue. EBITDA also realised double-digit growth, increasing by 15.9% to HK$129.5 million. However, profit attributable to owners of the parent declined by 6.0% to HK$40.5 million as the result of increased depreciation, principally arising from the opening of 10 restaurants since 2012, including two new openings in Foshan and Heshan during the reporting period. Despite the slip in profitability, the management anticipates greater revenue contributions from the new restaurants starting from 2014, which is when they will be sufficiently matured. As for the pilot restaurants located in Wuhan, Shenyang and Nanning that opened in 2012, all have received favourable feedback from customers. These new establishments are in line with the Group's strategic expansion plan, aimed at obtaining returns in the mid-to-long term.

With regards to Bakerz 180 – a renowned bakery chain in Southern China that the Group holds 60% interest since the beginning of 2013 – the operation presently remains in a loss-making position. Nonetheless, a turnaround is expected once Bakerz 180 begins to capitalise on a wider distribution network starting in late 2014. While six outlets are in operation as at 30 June 2013, two more Bakerz 180 outlets opened subsequent to the reporting period. The Group aims to establish a further two outlets during the second half year.

Logistics centres

The Dongguan and Tai Po Logistics Centres have continued to serve as primary pillars supporting the Group's vertical integration efforts. Along with providing processed food to all of the Group's restaurants, the centres also address the needs of its bakery and peripheral businesses, as well as pre-packaged festive products. As at the reporting period, the Dongguan Logistics Centre and Tai Po Logistics Centre achieved target outputs of 1,050 tonnes per month respectively.

Peripheral business

With respect to the Group's peripheral business, revenue rose by 21.0% year-on-year to HK$121.0 million including the Group's poultry farm in Mainland China which delivered stable revenue of HK$48.7 million during the reporting period. The farm thus fulfilled its dual roles of providing a stable and safe source of poultry and pork to the restaurant operations, and serving as an additional revenue stream.

Financial resources and liquidity

As at 30 June 2013, the total assets increased by 3.5% to approximately HK$2,401.4 million (31 December 2012: approximately HK$2,319.4 million) while the total equity increased by 5.8% to approximately HK$1,667.9 million (31 December 2012: approximately HK$1,577.1 million).

As at 30 June 2013, the Group had the cash and cash equivalents amounting to approximately HK$309.1 million. After deducting the total interest-bearing bank borrowings of HK$182.8 million, the Group had a net cash surplus position of approximately HK$126.3 million.

As at 30 June 2013, the Group's total interest-bearing bank borrowings were increased to approximately HK$182.8 million (31 December 2012: approximately HK$74.5 million) during the period under review. The gearing ratio (defined as the total of interest-bearing bank borrowings and finance lease payables divided by the total equity attributable to the owners of the Company) was increased to 11.2% (31 December 2012: 4.8%).

Capital expenditure

Capital expenditure for the six months ended 30 June 2013 amounted to approximately HK$137.7 million (2012: approximately HK$250.3 million) and the capital commitments as at 30 June 2013 amounted to HK$108.1 million (31 December 2012: HK$87.5 million). The capital expenditure was mainly for the renovation of the Group's new and existing restaurants and two logistics centres. The capital commitments were related to the renovation of the Group's new restaurants in Mainland China and the construction of phase 2 of Dongguan Logistics Centre.

Pledge of assets

As at 30 June 2013, the Group pledged its bank deposits of approximately HK$12.9 million, leasehold land and buildings of approximately HK$40.6 million and investment properties of approximately HK$10.6 million to secure the banking facilities granted to the Group.

Contingent liabilities

As at 30 June 2013, the Group had contingent liabilities in respect of bank guarantees given in lieu of rental and utility deposits amounting to approximately HK$27.7 million (31 December 2012: approximately HK$28.0 million).

Foreign exchange risk management

The Group's sales and purchases for the six months ended 30 June 2013 were mostly denominated in Hong Kong Dollars ("HK$") and Renminbi ("RMB"). The RMB is not a freely convertible currency. Future exchange rates of the RMB could vary significantly from the current or historical exchange rates as a result of the controls that could be imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes domestically and internationally, and the demand and supply of the RMB. The appreciation or devaluation of the RMB against HK$ may have impact on the Group results.

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

Human resources

As at 30 June 2013, the Group had 9,128 employees. In order to attract and retain the high quality staff and to enable smooth operation within the Group, the Group offered competitive remuneration packages (with reference to market conditions and individual qualifications and experience) and various in-house training courses. The remuneration packages are subject to review on a regular basis.

In addition, the Group also adopted the Pre-IPO Share Option Scheme and Share Option Scheme, where eligible employees are entitled to various share options to subscribe for the ordinary shares in the Company for their past and potential contribution to the growth of the Group. As at 30 June 2013, there are 4,530,000 outstanding options granted under the Pre-IPO Share Option Scheme which have not been exercised yet. Also, as at 30 June 2013, no options have been granted or agreed to be granted pursuant to the Share Option Scheme.

Prospects

The remaining financial year will be a challenging period for the catering industry, as consumer confidence will continue to be erratic – primarily the result of apprehensions about the economic health of Mainland China and Hong Kong. Even though austerity measures imposed by the Chinese government will likely be less detrimental to consumption sentiment than in the preceding period, the media exposure in April of this year will continue to affect the Group's Hong Kong operations in the second half year. Gross profit may therefore contract, which in turn may impair the Group's net profit. Recognising that the Group will again face stiff headwind, the management will draw upon the knowledge and experience of each member, as well as leverage Tao Heung's numerous attributes to move forward.

While overall consumption sentiment remains uncertain, the Group will seek to achieve further progress in maintaining customer traffic. This will involve building on its reputation for good value for money, as personified by the HK$1 Chicken promotion, hence still more appealing promotions will be offered. The Group will also intensify marketing efforts as they have proved effective at drawing in customers, which not only leads to greater revenue, but profit as well. Multi-branding will also be employed, as it is consistent with the management's objective of providing different dining experiences to customers while at the same time building their loyalty to the Group.

In respect of the Mainland China operations, the Group will continue to strengthen its presence in this important market. During the second half year, the Group will continue to open restaurants in Guangdong Province and Shanghai, having already opened a restaurant in Guangzhou and Shanghai in July and August respectively. With regards to the Shanghai restaurant, which is located in the city's prime business district, the management intends to utilise this particular opening to highlight the Tao Heung name – helping in the Group's efforts to raise brand awareness widely across the nation.

As the Group continues to expand across Mainland China, the management will increasingly consider acquiring the premises for the Group's own use, though specifically in lower-tier cities. Already, Tao Heung owns four premises where its restaurants are found: two located in Dongguan and one each in Jiangmen and Heshan. The acquisitions were spurred on increases in capital expenditure for the past two years. In view of escalating rent, the management will further explore the feasibility of acquiring more properties with the prime objective of stabilising this expense and generating internal rental returns.

In Hong Kong, Tao Heung will likewise bolster its presence in the local market. Up to five new restaurants will open in the coming six months with one already opened in August. What is more, one of its existing brands will be revamped in the coming months. Targeted towards middle-class consumers; this latest venture will expand the Group's spectrum of Chinese cuisine once again.

Seeking to broaden opportunities still further, Tao Heung will for the first time enter into the Japanese cuisine segment by co-operating with one of the largest restaurant operators in Japan. Since this Japanese restaurant will be offering a number of healthy dishes, including Nagasaki-style Champon noodles, the Group will also be able to capitalise on the rising health consciousness of Hong Kong consumers. The first shop will open in October this year targeting young professionals.

While pursuing new opportunities is important, the Group is aware that sensible management remain essential for overall growth. Efforts will therefore be redoubled to control costs, leveraging the Group's logistics centres and poultry farm. To address labour shortages and rising labour cost, the Group will continue to adopt such technologies as automated queuing, automated ordering, self-service auto payment and prepaid cards, all of which have been employed at restaurants in Mainland China, to the approval of customers. To further address the issue of labour will be the highly automated Phase 2 facility at the Dongguan Logistics Centre, which is expected to commence operation by mid-2014, and will also enable the Group to control overhead while meet production needs.

With market conditions remaining unclear in the near future, the management will be extra vigilant against potential industry disruptions. It will continue to employ the Group's proven business strategy of cautious expansion, effective promotion and prudent financial management, all of which will help prepare Tao Heung to move forward once the catering industry revives.

Other Information

Dividend

In acknowledging continuous support from our shareholders, the Directors have declared the payment of an interim dividend of HK6.20 cents per ordinary share in respect of the year ending 31 December 2013, payable on 11 October 2013 to shareholders whose names appear on the register of members of the Company on 30 September 2013.

Closure of Register of Members

The register of members of the Company will be closed from Wednesday, 2 October 2013 to Friday, 4 October 2013, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 30 September 2013.

Directors' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2013, the interests and short positions of the Directors in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") were as follows:

		Number of ordinary shares (long position)					
Name of Directors	*Notes*	**Personal interests**	**Family interests**	**Corporate interests**	**Equity derivatives**	**Total interests**	**% of total issued shares**
Executive Directors							
Mr. Chung Wai Ping	*(a) and (d)*	–	12,174,222	378,706,689	–	390,880,911	38.26
Mr. Wong Ka Wing	*(b)*	5,522,679	–	103,283,124	–	108,805,803	10.65
Mr. Chung Ming Fat	*(c)*	–	–	56,795,068	–	56,795,068	5.56
Mr. Leung Yiu Chun		800,000	–	–	–	800,000	0.08
Ms. Wong Fun Ching		800,000	–	–	–	800,000	0.08
Mr. Ho Yuen Wah		2,000,000	–	–	–	2,000,000	0.20
Non-executive Directors							
Mr. Fong Siu Kwong		180,000	–	–	–	180,000	0.02

Notes:

(a) 378,706,689 shares were held by Billion Era International Limited, which is wholly-owned by Mr. Chung Wai Ping.

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

(c) These shares were held by Whole Gain Holdings Limited, which is wholly-owned by Mr. Chung Ming Fat.

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

Saved as disclosed above, as at 30 June 2013, none of the directors or chief executives had registered an interest or short position in the share of underlying shares of the Company that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified.

Substantial Shareholders' Interests in Shares and Underlying Shares

As at 30 June 2013, the interests and short positions of every persons, other than directors or chief executive of the Company, in the shares and underlying shares of the Company, being 5% or more of the Company's issued share capital, as recorded in the register kept by the Company under Section 336 of the SFO were as follows:

		Number of ordinary shares (long position)	
Name of Shareholder	*Notes*	**Directly beneficially owned**	**% of total issued shares**
Billion Era International Limited	*(a)*	378,706,689	37.07
Joy Mount Investments Limited	*(b)*	103,283,124	10.11
Perfect Plan International Limited	*(c)*	102,053,976	9.99
Value Partners Limited	*(d)*	71,462,000	6.99
Whole Gain Holdings Limited	*(e)*	56,795,068	5.56

Notes:

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

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

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

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

(e) These shares were wholly-owned by Whole Gain Holdings Limited, which is beneficially owned by Mr. Chung Ming Fat.

Save as disclosed above, as at 30 June 2013, the Directors are not aware of any other person (other than the directors or chief executive of the Company) who have the interests or short positions in the shares and underlying shares of the Company which would be required to be disclosed to the Company pursuant to Part XV of the SFO.

Share Option Schemes

(a) Pre-IPO Share Option Scheme

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

At 30 June 2013, there are 4,530,000 outstanding options granted under the Pre-IPO Share Option Scheme which have not been exercised yet. Share options granted under the Pre-IPO Share Option Scheme are exercisable at HK$1.59 per share and the holders of the said share options may exercise the share options during the period from 29 June 2009 to 28 June 2012, both days inclusive.

Details of the share options outstanding as at 30 June 2013 which have been granted under the Pre-IPO Share Option Scheme are as follows:

		Number of share options					
Name	Date of Grant	Outstanding at 1 January 2013	Granted during the period	Exercised during the period	Lapsed on expiry	Cancelled upon termination of employment	Outstanding at 30 June 2013
Other employees	9 June 2007	4,530,000	–	–	–	–	4,530,000

(b) Share Option Scheme

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

Corporate Governance

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

The Company has compiled with all the code provisions and, where applicable, the recommended best practices of the Code on Corporate Governance Practices as set forth in Appendix 14 of the Listing Rules throughout the period ended 30 June 2013.

Model Code of Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities by the Directors of the Company. Based on specific enquiry with the Directors, all the Directors have compiled with the required standards as set out in the Code throughout the six months ended 30 June 2013.

Purchase, Sale or Redemption of Listed Securities

During the six months ended 30 June 2013, neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company's listed securities.

Publication of interim results

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

Appreciation

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

By order of the Board
Chung Wai Ping
Chairman

Hong Kong, 22 August 2013