

[For immediate release]



## Tao Heung Announces 2008 Annual Results

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***Double-digit % Growth in Turnover and Profit***

***Proposed Final & Special Dividends Per Share Rose by 20% to HK6.0 cents***

### Results Highlights

<i>For the year ended 31 December</i>			
	<b>2008</b>	2007	Changes (%)
Revenue (HK\$mil)	<b>2,444</b>	2,085	+17.2%
EBITDA (HK\$mil)	<b>362</b>	311	+16.5%
Profit attributable to equity holders (HK\$mil)	<b>189</b>	200	-5.5%
- from core business (HK\$mil)	<b>189</b>	168	+12.5%
Basic EPS (HK cents)	<b>18.64</b>	21.19	-12.0%
Proposed final & special dividends per share (HK cents)	<b>6.0</b>	5.0	+20.0%
- Proposed final dividend per share (HK cents)	<b>4.5</b>	5.0	
- Proposed special dividend per share (HK cents)	<b>1.5</b>	-	
Total dividend per share for the year (HK cents)	<b>12.0</b>	11.21	+7.0%

(Hong Kong, 7 April 2009) - **Tao Heung Holdings Limited** ("Tao Heung", or together with its subsidiaries the "Group"; stock code: 573), a leader in Chinese culinary trend, announces its annual results for the year ended 31 December 2008.

During the year under review, the Group recorded revenue of HK\$2,444 million, representing a year-on-year rise of 17.2%. Gross profit grew 20.8% to HK\$1,658 million. Excluding the gain on disposal of properties of HK\$32 million in 2007, profit attributable to equity holders generated from the Group's core business rose 12.5% to HK\$189 million. The improvement was mainly due to increases in same store sales, the opening of 12 new outlets during the year and also the increased utilisation of the Dongguan Logistics Centre.

The Board proposed a final dividend of HK4.5 cents per share and a special dividend of HK1.5 cents per share for the year ended 31 December 2008. Together with the paid interim dividend of HK6.0 cents per share, total dividend for the year would have been HK12.0 cents per share, representing a payout ratio of 64.4%.

**Mr. Eric Leung, CEO of Tao Heung,** said, "It is encouraging to see the Group achieving satisfactory performance against the looming global economic downturn. Backed by a proven track record for overcoming adversities during the Asian Financial Crisis in 1997 and SARS in 2003, we have confidence in the ability of Tao Heung to respond flexibly to changes in the market and emerge stronger with the synergies brought on by the Dongguan Logistics Centre."

The Group's financial position remained healthy with cash and cash equivalents at HK\$279 million and a net cash surplus position of HK\$231 million as at year end. Gearing ratio (defined as total interest-bearing bank borrowings plus finance lease payable divided by shareholders' equity) was reduced to 4.7% (2007: 7.7%).

### **Hong Kong Operations**

During the year, the Group's revenue from Hong Kong business increased 13.2% to HK\$2,048 million mainly as a result of the increase in same store sales of approximately 0.8% and the addition of seven restaurants. As at 31 December 2008, total number of restaurants reached 53. Thanks to the increased utilisation of the Dongguan Logistics Centre, gross profit margin was up by 1.8 percentage points despite a double-digit growth in raw material costs on average. Excluding the gain on disposal of properties of HK\$32 million in 2007, profit attributable to equity holders remained at similar levels as compared to last year of HK\$164 million (2007: HK\$164 million) which has taken into account of the share of the Dongguan Logistics Centre's operating expenses of HK\$18 million attributable to the Group's Hong Kong operation. Excluding such share of operating expenses, profit attributable to equity holders reached HK\$182 million (2007: HK\$164 million), representing an increase of 11.0%.

### **Mainland China Operations**

Turnover from this business segment surged 43.3% to HK\$397 million as a result of the five new restaurants opened during the year. As at 31 December 2008, the Group operated 12 restaurants in Guangzhou, Dongguan and Shenzhen. Gross profit margin grew significantly by 5.5 percentage points. Profit attributable to equity holders was approximately five times as compared to last year and reached HK\$25 million.

### **Dongguan Logistics Centre**

Since its commencement of operation in September 2007, the Dongguan Logistics Centre operated for a full year in 2008 and started providing food products to Hong Kong last June. The Dongguan Logistics Centre has enabled the Group to make bulk purchases directly from the source of origin at competitive prices and to enjoy the operational efficiency and highest quality assurance brought by the centralised production process. Its current output is approximately 500 tonnes per month, which is twice the output as compared to that at the beginning of 2008.

### **Peripheral Businesses**

Total sales of the Group's peripheral businesses increased 27.2% to approximately HK\$42 million. While airline catering operation showed healthy growth of 37.2% on a year-on-year basis, chilled food trading operations also expanded and commenced delivery of products to supermarkets and bakery chains in the Southern China region in addition to the provision of products to Park'N Shops in Hong Kong and 7-Eleven convenient stores in the Southern China region. Sales performance of Tai Cheong Bakery also improved during the year through continued re-branding programme for attracting younger customers and the opening of five new stores in Hong Kong. Total number of outlets was nine as of 31 December 2008. By end of March 2009, the Group successfully increased its stake in Tai Cheong Bakery to 80%, making Tao Heung the single largest shareholder.

### **Outlook**

Amid the global financial crisis with unemployment rate gradually climbing, thus dampening consumer confidence, the general public will become increasingly price conscious in the coming year. Undiscouraged by this difficult environment, the management is convinced that fresh opportunities exist for quality and "value-for-money" restaurant operators like Tao Heung. In addition, the Group will use various marketing and advertising initiatives to enhance customer flow as this remains key to achieving profitability, irrespective of the economic climate.

The Group will seek to open around 10 more outlets in Hong Kong and China in 2009. Eight are planned for Hong Kong with two already opened including the new hotpot brand "Tao Square 稻坊". Two will be opened in Mainland China, targeting the food-safety-conscious middle-class segment and taking advantage of the availability of more locations and stable workforce arising from the current economic conditions. Also, Tai Cheong Bakery intends to open four more egg tart bakery shops in 2009.

The Dongguan Logistics Centre will play an increasingly important role in assisting the Group realises its various initiatives. With ongoing upgrades and support from the Group's ever-growing restaurant networks, the management is confident that the utilisation rate of the Dongguan Logistics Centre will continue to increase in 2009. The Group is optimistic towards achieving operating breakeven (before depreciation) by the end of 2009.

**Mr. Chung Wai Ping, Chairman of Tao Heung**, concluded, "The current financial crisis has undoubtedly affected every corporation in certain aspects. However, at Tao Heung, we see fresh opportunities to grow our market share when the restaurant sector continues to consolidate. Besides, we will attract more restaurant goers who seek more reasonable prices but are unwilling to forgo quality. With our dedication in delivering good-value-for-money products and services, Tao Heung is well-positioned to fortify its industry leadership in Hong Kong and Southern China."

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**About Tao Heung**

Established in 1991, Tao Heung has embraced the principle of “innovation” with the aim of becoming an esteemed and premier Chinese restaurants group. Currently, the Group operates a network of 66 Chinese restaurants in Hong Kong (54 restaurants) and southern China (12 restaurants) under 13 brands. These include Tao Heung, Tao Square, Tao Heung Super 88, Hak Ka Hut, Cheers Restaurant, Chao Inn, Chung’s Cuisine, Shanghai Inn, TCT, Pier 88, One Roast, Hi Tea and HIPOT. Tao Heung was listed on the Main Board of The Stock Exchange of Hong Kong Limited in June 2007.

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