



Tao Heung Announces 2012 Interim Results

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***Outperforms the Market with Double-digit Revenue and Profit Growth
Customer Traffic Achieves Record High in Hong Kong and Mainland China***

Results Highlights

<i>For the six months ended 30 June 2012</i>			
	2012	2011	Changes (%)
Revenue (HK\$mil)	1,923.0	1,706.9	+12.7%
EBITDA (HK\$mil)	285.9	259.7	+10.1%
Profit attributable to owners of the parent (HK\$mil)	138.8	125.3	+10.8%
Basic EPS (HK cents)	13.62	12.33	+10.5%
Interim dividend per share (HK cents)	6.20	6.20	-

(Hong Kong, 23 August 2012) - **Tao Heung Holdings Limited** ("Tao Heung", or together with its subsidiaries the "Group"; stock code: 573), a leader in Chinese culinary trend, announces its interim results for the six months ended 30 June 2012.

The Group's total revenue increased by 12.7% year on year to approximately HK\$1,923.0 million owing to the opening of four new restaurants and three Tai Cheong Bakery outlets in Hong Kong and one new shop in Mainland China during the period, as well as very positive demand resulting from several promotions introduced in both Hong Kong and Mainland China. EBITDA increased by 10.1% to HK\$285.9 million, up from HK\$259.7 million recorded in the first half of last year. Profit attributable to owners of the parent amounted to HK\$138.8 million, rising 10.8% from HK\$125.3 million in 2011.

The Board has proposed an interim dividend of HK6.2 cents per share for the six months ended 30 June 2012, representing a dividend payout ratio of 45.5%. The management intends to retain surplus cash for strategic expansion in Mainland China.

Mr. Eric Leung, CEO of Tao Heung, said, "Thanks to successful promotional campaigns such as the renowned 'HK\$1 Chicken' to draw in customers and stimulate their willingness to spend within an expanded network of restaurants, our customer traffic achieved record high of around 3.5 million and 0.8 million patrons per month in Hong Kong and Mainland China respectively, despite the challenging environment. What's more, the management has been unrelenting in its efforts to control all expenditures and raise the Group's overall efficiency by capitalising on our logistics centres, poultry farm and automated system, together with stringent cost control measures. Indicative of the promotions' success, Tao Heung outperformed the market by delivering double-digit revenue and profit growth in the first half."

Hong Kong Operations

The Group continued to generate healthy returns from the Hong Kong market, with revenue rising by 11.4% year on year to HK\$1,439.2 million. The gains were the result of same store sales growth of around 2.0% combined with the further opening of four restaurants, thus bringing the total network of restaurants in Hong Kong to 73 as at 30 June 2012. A series of marketing campaigns and tailored product promotions were launched which successfully attracted and raised the average amount spent by customers. In addition, the Group opened three Tai Cheong Bakery outlets during the review period, bringing the total store count to 19 as at 30 June 2012.

Profit attributable to owners of the parent during the review period rose by 13.5% year on year to HK\$95.7 million (2011: HK\$84.3 million). If a one-time gain on the disposal of property of around HK\$8.0 million that was recorded in the corresponding period of last year was excluded, it would have risen by an exceptional 25.4% year on year. This further substantiates that Tao Heung's operation mode can be highly defensive during poor economic conditions, encompassing the vigorous use of promotions that are balanced by effective cost control measures employed by the management.

Mainland China Operations

Revenue from the Mainland China operations topped HK\$483.8 million, up 16.7% year on year, driven by increased customer traffic and strengthened presence from one new shop opened during the period and another two opened in the second half of last year, all having enjoyed continuous revenue growth. The Group operated 18 restaurants in Mainland China as at 30 June 2012.

EBITDA rose by 18.4% year on year to HK\$111.7 million. Profit attributable to owners of the parent rose moderately to HK\$43.1 million (2011: HK\$41.0 million). The slower profit growth was mainly due to increased investment in business expansion that has been in full swing since the second half of last year. The management is confident that such hindrance on profit growth will be temporary, given that the operation of new stores normally requires one to two years' time to mature.

Logistics Centres

The Group increased its reliance on the Tai Po and Dongguan logistics centres as both facilities have continued to quickly expand production and realise greater economies of scale. The monthly outputs of Dongguan Logistics Centre and Tai Po Logistics Centre reached 860 tonnes and 930 tonnes respectively, and both are targeted to achieve an output of 1,000 tonnes by the end of 2012.

Peripheral Business

The peripheral business recorded steady growth with revenue up 12.4% to HK\$100.0 million, of which HK\$31.0 million was contributed by the poultry farm acquired in January last year. With the trial run of an animal feed factory having been completed, the management is exploring the opportunity of creating an animal feed production and distribution business so as to add a new revenue stream. With the festive food business continuing to perform particularly well, the management will renew focus on developing the festive food business in line with network expansion.

Prospects

Tao Heung presently operates 74 restaurants in Hong Kong and 20 restaurants in Mainland China together with 19 Tai Cheong Bakery outlets and remains on track to meeting its goal of establishing a nationwide catering network of 200 outlets offering a variety of Chinese cuisine and baked goods by 2017. The Group aims to add another restaurant and two bakery outlets in Hong Kong and six restaurants in Mainland China by end of 2012. In the case of the latter, this will involve bridging a third new market outside Guangdong Province – Wuhan.

In view of the challenging market conditions, the Group will continue to actively engage in promotions and marketing efforts – a well-proven practice for sustaining business growth on both sides of the border during economic slowdown. Special offers to draw customers during non-peak hours will be pursued as well, all of which will further boost customer traffic and raise income levels.

The Group will also more readily utilise technologies such as automated queuing, automated self-ordering, self-service auto-payment and prepaid cards to alleviate labour cost pressure and raise efficiency. Besides, the introduction of a prepaid card system will help promote customer loyalty as well as encourage repeat purchases by introducing more privileges to loyal customers.

Mr. Chung Wai Ping, Chairman of Tao Heung concluded, “The upcoming financial period is expected to remain challenging as the economic environment in Hong Kong and Mainland China will continue to be affected by global volatility. Nevertheless, Tao Heung has proven time after time its ability to weather the storm and emerge even stronger. This is evidenced by the warm reception of our new restaurants in Nanning and Shenyang from local customers. With both vertical and horizontal integration efforts continuously pursued over the years, and continue to be bolstered, we have the strength and ability to sustain growth over the long term.”

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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 113 Chinese restaurants and bakery shops in Hong Kong and Mainland China under 15 brands. These include Tao Heung, Tao Square, Pier 88, Hak Ka Hut, Cheers Restaurant, Chao Inn, Chung’s Cuisine, Shanghai Inn, TCT, One Roast, HITEA, HIPOT, Joyous One, Cheers Palace and Tai Cheong Bakery. Tao Heung was listed on the Main Board of The Stock Exchange of Hong Kong Limited in June 2007.

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