



Tao Heung Announces 2012 Annual Results

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***Distinctive positioning in HK and Mainland China Yields Complementary Advantages
Continues to Achieve Double-digit Revenue and Net Profit Growth***

Results Highlights

<i>For the year ended 31 December</i>	2012	2011	Changes (%)
Revenue (HK\$mil)	4,056	3,576	+13.4%
EBITDA (HK\$mil)	614	528	+16.3%
Profit attributable to owners of the parent (HK\$mil)	299	255	+17.3%
Basic EPS (HK cents)	29.32	25.08	+16.9%
Proposed final dividend per share (HK cents)	6.8	6.6	+3.0%
Total dividend per share (HK cents)	13.0	12.8	+1.6%

(Hong Kong, 21 March 2013) - **Tao Heung Holdings Limited** (“Tao Heung”, or together with its subsidiaries the “Group”; stock code: 573), a leader in Chinese culinary trends, announced its annual results for the year ended 31 December 2012.

The Group’s total revenue increased by 13.4% to around HK\$4,056 million (2011: HK\$3,576 million), mainly attributable to the opening of 14 new restaurants – six in Hong Kong and eight in Mainland China; significant promotions in Hong Kong resulting in sustained customer traffic, especially during dinner hours; and new opportunities resulting from the decline in high-end catering in Mainland China. Gross margin maintained at 15.6%. EBITDA increased by 16.3% to HK\$614 million from HK\$528 million in 2011. Profit attributable to owners of the parent increased 17.3% to HK\$299 million (2011: HK\$255 million)

The Board has recommended the payment of a final dividend of HK6.8 cents per share. With the inclusion of an interim dividend of HK6.2 cents per share already paid, total dividend per share will amount to HK13.0 cents for the financial year, representing a payout ratio of 44.3%.

Mr Chung Wai Ping, Chairman of Tao Heung, said, “Tao Heung’s ability to weather unfavourable conditions is clearly evident by its record breaking pace of expansion during the past year. In all, 19 establishments were opened – a new high for the Group – comprising 14 restaurants and five Tai Cheong Bakery outlets. What’s more, Tao Heung has for the first time extended its business presence outside of Guangdong Province, setting the stage for future growth. With our distinctive positioning in Hong Kong and Mainland China, targeting the mass and middle-end segments respectively, we have created complementary advantages. Consequently, Tao Heung realised satisfactory double-digit revenue and profit growth.”

Hong Kong Operations

The Hong Kong market reported satisfactory growth with revenue up 10.3% to HK\$2,990 million during the review year, thanks to the effective marketing promotions and the expanded restaurant network. EBITDA increased by 24.1% to HK\$423 million. With further increases in labour, rent and food costs, the Group continued to take cost control measures, including automated processes re-engineering and operational efficiency optimisation to sustain profitability. Profit attributable to owners of the parent recorded a notable growth of 30.7% to HK\$234 million (2011: HK\$179 million).

In the face of weak consumption sentiment, Tao Heung continued to execute defensive measures in Hong Kong during the past year. A range of marketing campaigns and product promotions were employed which boosted customer traffic by 14.6% during dinner hours while average spending per head rose by 5.6%. The Group opened six new restaurants, raising the total count to 75 outlets as at 31 December 2012.

Regarding Tai Cheong Bakery, the Group opened five new outlets during the year, raising the total shop count to 21 as at 31 December 2012. The Group has acquired the remaining 20% share of the business and has become a sole owner of Tai Cheong Bakery effective from January 2013. The Group intends to open six or seven new shops annually in the coming five years.

Mainland China Operations

The Group recorded revenue of HK\$1,066 million during the year, up by 23.2% over 2011. The growth was driven by active expansion in Mainland China, with eight new restaurant openings, including three restaurants outside Guangdong Province, thus boosting the total shop count to 25 as at 31 December 2012. EBITDA realised a modest gain of 2.3% to HK\$191 million, while profit attributable to owners of the parent declined to HK\$65 million (2011: 76 million). The inconsistency in revenue and profit was due mainly to the rise in depreciation of this segment to HK\$112 million during the review year and the opening of eight new restaurants, which, for reference, is equivalent to nearly half of the total shop count in the preceding financial year. Though the new shops will require time to mature as they are still in an investment stage, the management anticipates higher revenue contributions from these operations from late 2013 or early 2014.

Although there was decline in the high-end consumption sentiments in Mainland China, it did not have a material impact on Tao Heung's business performance since it has defined itself as a quality dining brand targeting the middle-class. Conversely, the Group views the measures and change in business consumption pattern as an opportunity to exploit a new customer segment.

Logistics Centres & Peripheral Business

As the cornerstone of vertical integration efforts, the two logistics centres continued to achieve better control of food quality and have reached higher efficiency as well. The monthly output of Dongguan Logistics Centre and Tai Po Logistics Centre both reached 1,000 tonnes in 2012, and both are targeted to achieve an output of 1,100 tonnes per month by the end of 2013.

The peripheral business achieved stable growth with revenue up 12.6% to approximately HK\$224 million - HK\$80 million attributed to the poultry farm. The farm has played a vital role in achieving a vertically integrated food supply chain and ensuring a stable source of high-quality poultry and pork. Pre-packaged, chilled and frozen food continued to generate steady revenue and reported a notable level of profitability.

Prospects

The management remains cautiously optimistic about the Group's prospects entering into 2013. In Hong Kong, Tao Heung will continue to leverage the successful defensive strategy to capture greater market share, with five to six new restaurant openings in 2013. The Group will also continue to introduce value-for-money promotions targeting the mass market segment, particularly families.

In Mainland China, the decline in high-end consumption sentiments is an opportunity for Tao Heung to cater for higher income customers, generating additional revenue in the coming year. Expansion across southern China will remain a principal objective in the coming year, with six to seven shop openings planned in 2013; thus four restaurants in Foshan, Zhuhai, Zhongshan and Guangzhou have been confirmed. In the future, the Group plans to open one to two outlets annually outside Guangdong province. Two scheduled openings in 2013 and 2014 will be in Shanghai and Zhengzhou respectively.

Aside from fulfilling the expansion goals, the Group is actively seeking new initiatives. In 2013, the Group will enhance its interest in "Bakerz 180", a renowned bakery chain in Southern China, to become the single largest shareholder with 60% interest. In addition, the Group has signed a memorandum of understanding with a renowned listed Japanese dining operator, leading Tao Heung to enter a new culinary sphere and establish a new revenue stream.

Mr Eric Leung, CEO of Tao Heung concluded, "With 2013 marking the second phase of Tao Heung's master development plan, we will step up efforts at further enhancing the dining experience of target customers; devise innovative multi-branding strategies that raise customer traffic; and reinforce all elements of infrastructure. As the number of restaurants and bakery outlets are all set to rise in the coming year, Tao Heung is well on its way to realising its goal of operating 200 outlets by 2017, and to truly become a nationwide catering leader."

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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 123 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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