For immediate release

Tao Heung Announces 2013 Interim Results

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Revenue Growth Driven by Network Expansion & Effective Promotions
Interim Dividend Payout Ratio at 45.6%

Results Highlights

For the six months ended 30 June 2013			
	2013	2012	Changes (%)
Revenue (HK$mil)	**2,126.0**	1,923.0	+10.6%
EBITDA (HK$mil)	**304.7**	285.9	+6.6%
Profit attributable to owners of the parent (HK$mil)	**139.0**	138.8	+0.1%
Basic EPS (HK cents)	**13.60**	13.62	-0.1%
Interim dividend per share (HK cents)	**6.20**	6.20	-

(Hong Kong, 22 August 2013) - **Tao Heung Holdings Limited** ("Tao Heung", or together with its subsidiaries the "Group"; stock code: 573), a leader in Chinese culinary trends, announces its interim results for the six months ended 30 June 2013.

The Group's total revenue increased by 10.6% year on year to approximately HK$2,126.0 million, driven by effective promotions and the opening of new restaurants and bakery outlets in Hong Kong and Mainland China during the period. EBITDA rose by 6.6% to HK$304.7 million while profit attributable to owners of the parent was maintained at HK$139.0 million (1H2012: 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, representing a dividend payout ratio of 45.6%.

Mr. Eric Leung, CEO of Tao Heung, said, "In the first half of 2013, Tao Heung 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. Although the impact on Tao Heung was limited given we target the general public in Hong Kong and middle-class consumers in Mainland China, 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. Thanks to the continuous advance in automated processes, our profitability was maintained at a stable level."

Hong Kong Operations

Hong Kong operations continued to realise revenue growth of 4.2% to HK$1,499.4 million, attributable to the ongoing network expansion with four new establishments, of which two were replacements of closed restaurants, complemented by attractive promotions including the immensely popular "$1 Chicken" and "Double Happiness" (筷樂孖寶) campaigns. Profit attributable to owners of the parent reported a slight rise to HK$102.4 million, despite the continuous increase in rent and staff costs. Consequently, a total of 77 restaurants were in operation as of 30 June 2013.

Tai Cheong Bakery operation achieved satisfactory results, with revenue reaching HK$43.8 million as at the reporting period. 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.

Subsequent to the negative media exposure on the Group in April 2013, quick action was taken by the management, which included a thorough review of relevant logistics practices and speeding up of food safety management certification for several production lines. 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.

Mainland China Operations

Revenue of the Mainland China operations rose 27.5% to HK$616.8 million, attributable to the respectable growth owing to its focus on middle-class restaurant goers and its effective network expansion strategy. EBITDA rose by 15.9% to HK$129.5 million. Profit attributable to owners of the parent declined by 6.0% to HK$40.5 million (1H2012: HK$43.1 million) as the result of increased depreciation to HK$74.1 million (1H2012: HK$53.2 million), 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 will be sufficiently mature starting from 2014. The pilot restaurants located in Wuhan, Shenyang and Nanning that opened in 2012 have received favourable feedback from customers. The Group operated 27 restaurants in Mainland China as of 30 June 2013.

With regards to Bakerz 180, the newly acquired renowned bakery chain in Southern China, a turnaround is expected once the brand begins to capitalise on a wider distribution network starting in late 2014. Two new outlets opened subsequent to the reporting period and the Group aims to establish a further two outlets during the second half year.

Logistics Centres and Peripheral Business

The Dongguan and Tai Po Logistics Centres have continued to serve as primary pillars supporting the Group's vertical integration efforts. Both centres achieved their respective target outputs of 1,050 tonnes per month . For the Group's peripheral business, revenue rose by 21.0% to HK$121.0 million including the Group's poultry farm in Mainland China which delivered a stable revenue of HK$48.7 million during the reporting period.

Prospects

The remaining financial year will be a challenging period for the catering industry. 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 raised in April 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. The Group will therefore seek to achieve further progress in maintaining customer traffic by intensifying marketing efforts and promotions as they have proven effective at drawing in customers and leading to greater revenue and profit.

In Mainland China, the Group will continue to open restaurants in Guangdong Province and Shanghai in the second half year, having already opened a restaurant in Guangzhou and Shanghai in July and August respectively. Furthermore, the management will increasingly consider acquiring the premises for the Group's own use, specifically in lower-tier cities, with the objective of stabilising this expense and generating internal rental returns. Already, Tao Heung owns four premises where its restaurants are found: two located in Dongguan and one each in Jiangmen and Heshan.

In Hong Kong, up to five new restaurants will be opened in the coming six months with one already opened in August 2013. 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. The first shop will open this October, targeting young professionals. The Group will also be able to capitalise on the rising health consciousness of Hong Kong consumers since this restaurant will be offering a number of healthy dishes, including Nagasaki-style Champon noodles.

To address labour shortages and rising labour costs, Tao Heung will continue to adopt technologies such 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. Also, the highly automated Phase 2 facility at the Dongguan Logistics Centre will commence operation by mid-2014. It will also enable the Group to control overhead while meeting production needs.

Mr. Chung Wai Ping, Chairman of Tao Heung concluded, "Recognising that the Group will again face stiff headwinds, the management will draw upon the knowledge and experience of each member, as well as leverage Tao Heung's numerous attributes to move forward. With market conditions remaining unclear in the near future, we will be extra vigilant against potential industry disruptions. The Group will continue to employ the 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."

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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 136 Chinese restaurants and bakery shops in Hong Kong and Mainland China under 17 brands. These include Tao Heung, Tao Square, Pier 88, Hak Ka Hut, Cheers Restaurant, Chao Inn, Chung's Cuisine, Chung's Kitchen, Shanghai Inn, TCT, One Roast, HITEA, HIPOT, Joyous One, Cheers Palace, Tai Cheong Bakery and Bakerz 180. Tao Heung was listed on the Main Board of The Stock Exchange of Hong Kong Limited in June 2007.

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