[For immediate release]

Tao Heung Announces 2008 Interim Results

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Turnover Grew by 21.3%; Gross Margin Increased to 67.9%
Logistics Centres to Support Growth and Complement Business Diversifications

Results Highlights

For six months ended 30 June 2008			
	2008	2007	Changes (%)
Revenue (HK$mil)	**1,187.5**	979.0	+21.3%
Profit attributable to shareholders			
- from core business (HK$mil)	**94.6**	81.3	+16.4%
- from all business (HK$mil)	**94.6**	112.1	-15.6%
Basic EPS (HK cents)	**9.32**	12.78	-27.1%
Interim dividend per share (HK cents)	**6.00**	3.25	+84.6%
Special dividend per share (HK cents)	**-**	2.96	N/A

(Hong Kong, 11 September 2008) - **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 2008.

Turnover of the Group was HK$1,187.5 million, representing a 21.3% year-on-year growth. Profit attributable to shareholders from core business of HK$94.6 million, representing an increase of 16.4% compared to HK$81.3 million, excluding the gain on disposal of office properties of approximately HK$30.8 million for the same period last year.

To enhance the return to shareholders, the Board proposed an interim dividend of HK 6.0 cents per share for the six months ended 30 June 2008, representing a distribution of approximately 63% of the Group's profit for the year.

Mr. Eric Leung, CEO of Tao Heung, said, "Over the years, we had made great efforts and substantial capital investment in building our large scale Dongguan Logistic Centre that aims to boast economies of scale and quality assurance in supporting sourcing of ingredients, processing and production of foods at the lowest cost and the highest efficiency. Now, we see its preliminary contribution as the gross margin of the Group improved to 67.9% despite a substantial uptrend in food costs in the period under review."

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As at 30 June 2008, the Group had cash and cash equivalents amounting to approximately HK$272.3 million. During the period, approximately HK$131.5 million was spent on the investment of financial assets. Current ratio was 2.0 as compared to 2.1 as at 31 December 2007. Capital expenditure for the six months period amounted to approximately HK$115.8 million.

Hong Kong Operations

For the period under review, revenue from the Group's Hong Kong operations increased by 15.7% to HK$988.2 million. The growth was mainly due to the opening of 3 new restaurants, as at 30 June 2008, the Group operated a total of 50 restaurants in Hong Kong. Gross margin for the period was 69.0%, increase from 67.7% recorded in the same period last year. With the Dongguan Logistics Centre starting to supply food products to Hong Kong on a daily basis since June 2008, the Group expects overall margin level to improve further. Profit attributable to equity holders was HK$90.2 million. Excluding the gain on disposal of office properties in the same period last year, profit from core operation in Hong Kong increased by 27.2%. Net margin for the period was 9.1%, improved from 8.3% same period last year.

Mainland China Restaurant Operations

With continuous network expansion progressing as planned, the Group's Mainland China revenue surged by 54.8% to HK$192.9 million, contributing to 16.2% of the Group's total turnover. Such impressive growth was mainly due to the 4 new restaurants opened in the period under review, boosting the total number of restaurants in Mainland China to 11 as at the end of June 2008. Gross margin for the period was 63.2%, increased from 59.3% in the first half of 2007. Profit attributable to equity holders grew by 32.6% to HK$22.4 million. Net margin slightly decreased from 13.6% to 11.6%, as 3 out of 4 new restaurants just started to operate from May 2008 onwards, together with the effect of the new labour contract law which increased the Group's staff cost.

Dongguan Logistics Centre

Significant milestone was recorded for the Dongguan Logistics Centre in the period under review. Further to the commencement of operation in supplying food products to the Group's Mainland China restaurants last September, the Dongguan Logistics Centre began trial run of supplying food products to Hong Kong in March 2008. Full operation in respect to supplying the Group's Hong Kong restaurants began in June 2008. The management expects increased utilization and efficiency of the Dongguan Logistics Centre to help further enhance Tao Heung's operation and financials as the Group further expands in the long run.

Peripheral Businesses

During the period under review, the Group's peripheral businesses recorded substantial growth, revenue increased to HK$23.1 million representing 85.1% year-on-year growth. The Group continued to supply food for three prominent airlines catering service providers in Hong Kong, and its chilled food and festive food operations also performed well. The Group's investment in "Tai Cheong" bakery chain speeded up its network expansion with 4 new shops opened, totaling 8 shops as at 30 June 2008. Synergies has been achieved through the supply of bakery products by the logistic centres, and more are yet to come as Tai Cheong's network expands further.

Outlook

The management remains optimistic about Tao Heung's performance in the years to come. Undoubtedly, there will be more challenges in the future as inflation continues, with food costs standing high and economic growth slowing down; however, with a clear focus of tapping the mass market and targeting customers of average consumption power, Tao Heung sees this as an opportunity to attract customers who are looking for value-for-money dining options. The Group believes the current market situation will enable it to capture even more market share.

On the cost saving side, the Group will seek to further control food raw material costs by looking for more quality direct sourcing options and continue to ride on the successful formula of the logistic centers. As the extent of food supply by the Dongguan Logistics Centre to Mainland China and Hong Kong restaurants continues to grow, in turn increasing the logistics centre's utilization rate, the management expects efficiency and cost effectiveness to be further enhanced. All of these are to contribute to additional cost savings and margin improvement, enabling the Group to maintain its leading position in the Chinese restaurant industry.

Mr. Chung Wai Ping, Chairman of Tao Heung, concluded, "Moving forward, we will continue to identify new business opportunities such as further expanding our peripheral businesses by reaching out to new clients and exploring new distribution channels. We will also keep an eye on possible M&A opportunities which will enable Tao Heung to grow either vertically or horizontally. Dedicated to providing quality food, services and dining experience for our customers, Tao Heung will continue to work hard in achieving its goal of becoming the most popular and highly regarded Chinese restaurant group in Hong Kong and in the Mainland China, in turn bringing satisfactory returns to shareholders."

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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. As at 31 August 2008, the Group operates a network of 63 Chinese restaurants in Hong Kong (52 restaurants) and southern China (11 restaurants) under 12 brands. These include Tao Heung, Tao Heung Super 88, Hak Ka Hut, Cheers Restaurant, Chao Inn, Chung's Cuisine, Harbour Seafood Restaurant, Shanghai Inn, TCT, Pier 88, One Roast and Hi Tea. Tao Heung was listed on the Main Board of The Stock Exchange of Hong Kong Limited in June 2007.

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