Press Release

Tao Heung Announces 2014 Annual Results

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Mainland China Operation Drives Revenue Growth

On Track to Establishing Network of 200 Outlets Across Greater China by 2017

(Hong Kong, 19 March 2015) – **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 2014.

The Group's total revenue increased by 3.9% to HK$4,489.2 million (2013: HK$4,320.5 million), thanks to the Group's strategic expansion in Mainland China operation. The opening of seven new restaurants in Mainland China has further strengthened the Group's position in the country particularly in first-tier cities. The well-defined strategy of targeting the middle-class segment in Mainland China has contributed rise in revenue with gross margin remaining stable. Profit attributable to the owners of the parent amounted to HK$207.4 million (2013: HK$274.2 million).

The Board proposed the payment of a final dividend of HK6.0 cents per share. Together with an interim dividend of HK6.0 cents per share already paid, total dividend per share will amount to HK12.0 cents for the financial year, representing a payout ratio of 59.1% (2013: 46.6%).

Mr Chung Wai Ping, Chairman of Tao Heung, said, "Despite the challenging climate for large-scale operators of food catering industry in Hong Kong and the volatile political atmosphere, Hong Kong remains our foundation and we have developed strategies that heet current challenges while seeking to seize new opportunities at the same time. Our progress across the border has been much more positive, highlighting the foresight of our management team in strategically reinforcing the Group's presence in key regions of China."

Mainland China Operations

The Group has continued to make steady progress as highlighted by revenue of HK$1,520.9 million generated during the review year, representing a year-on-year rise of 15.7%. The Mainland China operations has become a major growth driver, accounting for 33.9% of the Group's total revenue, up from 30.4% in 2013.

Seven more restaurants were opened during the year reaching a total of 37 as at year end. In view of the success of its flagship restaurant on Huahai Road, Shanghai, the management has leveraged the Group's successful image to establish additional restaurants in prime CBDs; specifically, in the Pudong District and West Nanjing Road, Puxi District.

With well expanded network in Mainland China contributed to the rise in revenue, average spending per head has continued to climb, as has same store sales, both of which achieved single-digit growth. Gross margin has remained at a relatively similar level as last year. Earnings before interest, taxes, depreciation and amortisation (EBITDA) rose by 4.9% to HK$252.7 million.

In respect of the Bakerz 180 bakery chain in which the Group acquired up to 60% interest in 2013, it continues to be in a developmental stage. The management is confident that through further network expansion and enhancing operation efficiency, Bakerz 180 will benefit from greater economies of scale and target to achieve operational breakeven point in 2015. As at year end, the total number of Bakerz 180 outlets reached 18, a significant increase of 10 outlets from 2013. Revenue has risen by 109.4% to HK$27.3 million when compared to 2013.

Hong Kong Operations

The Hong Kong operations reported revenue of HK$2,968.3 million during the year, the slight decline in revenue was due in part to the downsizing and closure of certain restaurants as landlords have elected to subdivide or change the trade mix of their properties to boost profits. Consequently, it reduced the Group's total operating area from approximately 716,000 sq. ft. in 2013 to approximately 685,000 sq. ft. in 2014, which affected the profitability of the Hong Kong operations. Profit attributable to owners of the parent declined to HK$143.3 million (2013: HK$208.7 million). Apart from the aforementioned factors that curbed the Hong Kong operations' performance during the year, high inflation leading to weak consumption sentiment remained a persistent challenge.

To aid the overall performance of the Hong Kong operations, the Group continued to employ its effective marketing strategies and promotions, including the "HK$1 Chicken", "Hotpot Promotion" (火鍋三招) and a joint promotion with UnionPay. Gross margin remained relatively stable owing to effective supply chain management and food waste control.

As at 31 December 2014, the Group operated a total of 72 outlets (2013: 80 outlets), including two "RingerHut" Japanese restaurants and one "T CAFÉ 1954", an offshoot of Tai Cheong Bakery. Revenue from Tai Cheong Bakery increased by 14.3%, with a total of 27 outlets as at year end, an increase of four outlets from 2013.

Logistics Centres & Peripheral Business

Both the Tai Po and Dongguan Logistics Centres played integral roles in the Group's vertical integration drive. Along with ensuring consistent food quality and safety, the facilities are essential for controlling costs and supporting the Group's growth in Hong Kong and Mainland China, as well as allowing the management to explore new business opportunities. The two logistics centres each processed 1,050 tonnes of food per month during the year. Greater output will be released with the completion of Dongguan Phase 2 in January 2015.

The poultry and peripheral business continued to provide supplementary income during the year, totalling HK$90.7 million and HK$153.9 million respectively (2013: HK$92.4 million and HK$143.6 million). The poultry farm remains an important asset that ensures the Group is provided with a steady and safe supply of quality pork and poultry.

Prospects

Looking ahead, the management will be fully committed to consolidating the Group's position in Hong Kong and Mainland China. Even though sentiment among consumers remains weak in Hong Kong, the management will continue to employ strategies to protect the Group's market share while seeking to build on gains made in Mainland China where consumption sentiment is expected to improve.

The Mainland China market has became the Group's new growth driver with notable growth over the past several years. To tap the local market share, Tao Heung will strengthen its presence in first-tier cities through network expansion. In the coming year, the Group will open 7-8 restaurants in the country, including four restaurants in Eastern China, three of which will be in Shanghai, and the fourth in Wuxi. In Southern China, the Group will continue to fortify its strongholds of Guangzhou, Shenzhen and Foshan, while in Central China, the management will look for opportunities to bolster its presence in Wuhan.

In Hong Kong, the Group will further refine its business model, with downsizing taking greater prominence. Faced with the practice of landlords' expanding the retail portion of their properties through subdivision to increase profits, the Group has turned such challenges into opportunities by moving away from large-scale restaurants. Although this will also create significant pressure on both revenue and profitability, the management remains confident in the Group's ability to endure and rise to the occasion, as it has done in the past.

Aside from the change in scale, the Group will look at enhancing its appeal outside of Chinese cuisine. For example, the successful RingerHut restaurant which specialise in Japanese Cuisine has broadened its menu to suit the preferences of Hong Kong people. With its positive response, one new restaurant was opened in December 2014, and up to three outlets are planned for 2015.

Mr Eric Leung, CEO of Tao Heung concluded, "Given that there are clear development roadmaps in place for both Hong Kong and Mainland China, we are set to further distinguish ourselves from our peers. We believe we can maintain our market share even under challenging environment by employing various business strategies and successfully adapting to the change of business environment. With promising results achieved in Mainland China and prudent development plans in Hong Kong, we remain confident in our ability to reach our goal of operating a catering network of 200 outlets by 2017."

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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 of 31 December 2014, the Group operates a network of 154 restaurants and bakery shops in Hong Kong and Mainland China under 18 brands. These include Tao Heung, Tao Square, Pier 88, Hak Ka Hut, Cheers Restaurant, Chao Inn, Chung's Cuisine, Chung's Kitchen, TCT, One Roast, HITEA, HIPOT, Joyous One, Cheers Palace, RingerHut, Tai Cheong Bakery, T CAFÉ 1954 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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